DOCUMENT RESUME

ED 083 326 UD 013 846

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TITLE Taxes and the Consumer. One of a Series for Expanded Programs in Consumer Education.
INSTITUTION New York State Education Dept., Albany. Bureau of Secondary Curriculum Development.
PUB DATE 29 Mar 73
NOTE 127p.

EDRS PRICE MF-$0.65 HC-$6.58
DESCRIPTORS Consumer Economics; *Consumer Education; Consumer Science; Curriculum Development; *Economic Education; Economics; Federal Government; *High School Curriculum; *Instructional Materials; Money Management; State Government; Tax Allocation; *Taxes; Textbooks; Workbooks

ABSTRACT

In 1967, the State Education Department published "Consumer Education--Materials for an Elective Course." This material has since been introduced into more than 500 of the New York State high schools. As a result of the interest in Consumer Education in the State and Nation, the Department has begun the preparation of a series of modules--Expanded Programs of Consumer Education. This module is the ninth to be produced. Nothing touches the lives of the disadvantaged more than the constant struggle to stretch limited financial resources to meet the increasing costs of living. This module is designed in the hope that it will help the poor to make better use of their income, as well as with the expectation that those of higher income will be more understanding of the problems of their fellow citizens. The modules in this series are being prepared as separate publications to provide greater flexibility. The suggestions to the teacher found in "Consumer Education--Materials for an Elective Course," pages 1-4, apply equally to all of the modules. (Author/JM)

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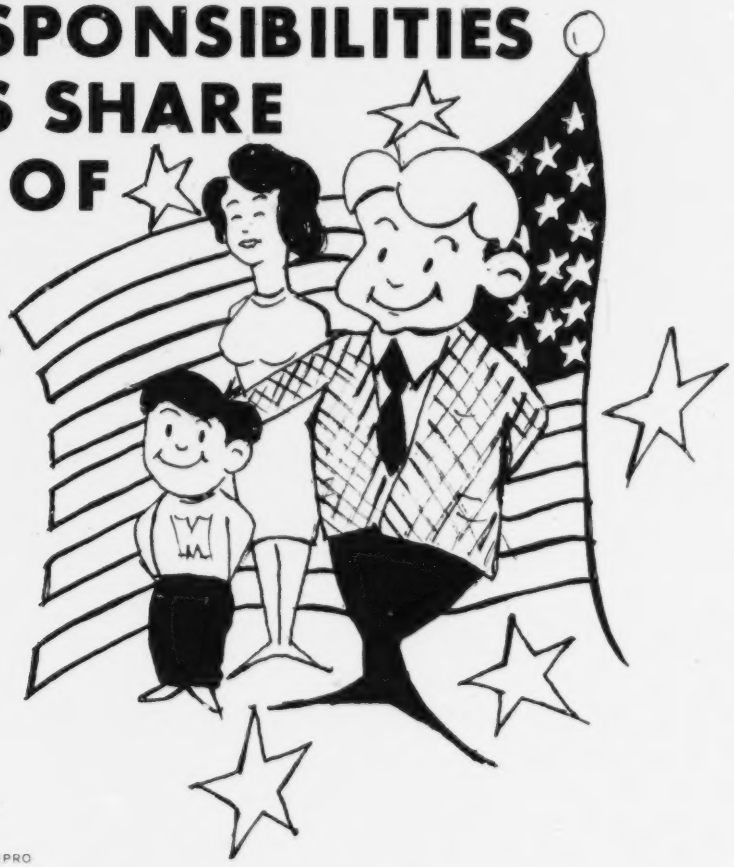
TAXES AND THE CONSUMER

One of a series for Expanded Programs in Consumer Education

AMONG THE RIGHTS AND RESPONSIBILITIES CITIZENS SHARE IS THAT OF PAYING TAXES...



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F O R E W O R D

In 1967, the State Education Department published "Consumer Education — Materials for an Elective Course." This material has since been introduced into more than 500 of the New York State high schools. As a result of the interest in Consumer Education in the State and Nation, the Department has begun the preparation of a series of modules — Expanded Programs of Consumer Education. This module, Taxes and the Consumer, is the ninth to be produced. Those already distributed are

Consumer Issues and Action
Education and the Consumer
The Consumer and Recreation
Consumer Problems of the Poor
The Consumer and His Health Dollar
Beauty Products and the Consumer
The Consumer and Transportation
Credit and the Consumer

It is expected that other modules will be produced in the fields of:

Law and the Consumer
The Car and the Consumer

Nothing touches the lives of the disadvantaged more than the constant struggle to stretch limited financial resources to meet the increasing costs of living. This module is designed in the hope that it will help the poor to make better use of their income, as well as with the expectation that those of higher income will be more understanding of the problems of their fellow citizens.

Unlike the original syllabus, where 12 units covering various phases of Consumer Education were bound together, the modules in Expanded Programs of Consumer Education are being prepared as separate publications to provide greater flexibility. Each of the modules in the series may be used as a discrete unit or with other units in the series. The modules may be presented as a semester or part of a semester course, or presented in conjunction with the original syllabus which covers such areas as the purchase of food; shelter; appliances; automobiles; and a consideration of credit; money management; fraud, quackery, and deception; banking and savings; life and health insurance; security programs; and consumer law.

It is hoped that the presentation of the modules as separate publications will tend toward flexibility in their use as mini-courses in such fields as social studies, business education, home economics, industrial arts, agriculture, and other areas of the curriculum.

The suggestions to the teacher found in "Consumer Education — Materials for an Elective Course," pages 1-4, apply equally to each of these modules. The reaction and suggestions of those using these materials in the field will be helpful to the Department in planning further materials for Consumer Education and in making necessary revisions of the material.

The original material for this module was developed and written by Gustave E. Mueller, associate professor of Education (Business), Milne School of the State University of New York at Albany. Hillis K. Idleman, associate in secondary curriculum development, was in charge of the project, edited the material, and arranged for its publication.

The Department acknowledges with appreciation the suggestions of those who contributed advice or material for inclusion in the manuscript and in particular the help of

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NORMAN F. GALLMAN
COMMISSIONER OF TAXATION AND FINANCE
PRESIDENT TAX COMMISSION

STATE OF NEW YORK
DEPARTMENT OF
TAXATION AND FINANCE
ALBANY, NEW YORK 12227

March 29, 1973

Mr. Hillis K. Idleman, Associate
Bureau of Secondary Curriculum Development
The University of the State of New York
The State Education Department
Albany, New York 12224

Dear Mr. Idleman:

The high school teaching module, Taxes and the Consumer, has been reviewed by the New York State Department of Taxation and Finance. I wish to congratulate you for planning this type of elective teaching program for New York students.

Taxes are a complex and, therefore, difficult subject. Yet understanding how they affect individual taxpayers and the economy as a whole, as well as the government benefits they make possible, are essential if we are to have an informed and responsive citizenry.

Your presentation of the subject of taxation is interesting, informative and very timely considering the significant changes currently taking place or under study regarding our Federal, State and local tax systems.

Sincerely,

Norman Gallman

NORMAN GALLMAN
Commissioner

INTRODUCTION

"Nothing is certain but death and taxes."
Franklin

THE CONSUMER AND HIS TAXES

INTRODUCTION

Taxation is of increasing concern to consumers since each additional levy reduces the amount of disposable income (gross pay minus taxes) that could be available for other needs and wants. All levels of government and school districts are spending more money than ever before. Taxpayers are disturbed that taxes are too high. Yet, in some parts of the United States, schools have to close before the end of the school year for lack of funds. School budgets are often voted down. Taxpayers are protesting high taxes. Despite this, many vital public needs are neglected, including health problems. Our public transportation system is inadequate and other public needs cannot be met due to lack of funds.

Part of the increase in expenditures can be attributed to inflation, i.e., the tax dollar doesn't buy as much in commodities or services as it did because of rising prices and wages. Other costs have skyrocketed due to increased expenditures for defense and public demands for more services in the form of expanded educational facilities and programs, new highways, environmental control programs, increased recreational facilities, better medical and dental care, increased welfare payments and a host of other programs.

Taxation has become a dilemma for legislators who must weigh the demands for increased services against the demands for decreased spending. This is not just an economic problem. Important political and social considerations are involved. Value judgments must be made to determine who is to benefit from governmental programs and who is to pay the bill. Legislators must choose from among alternative programs.

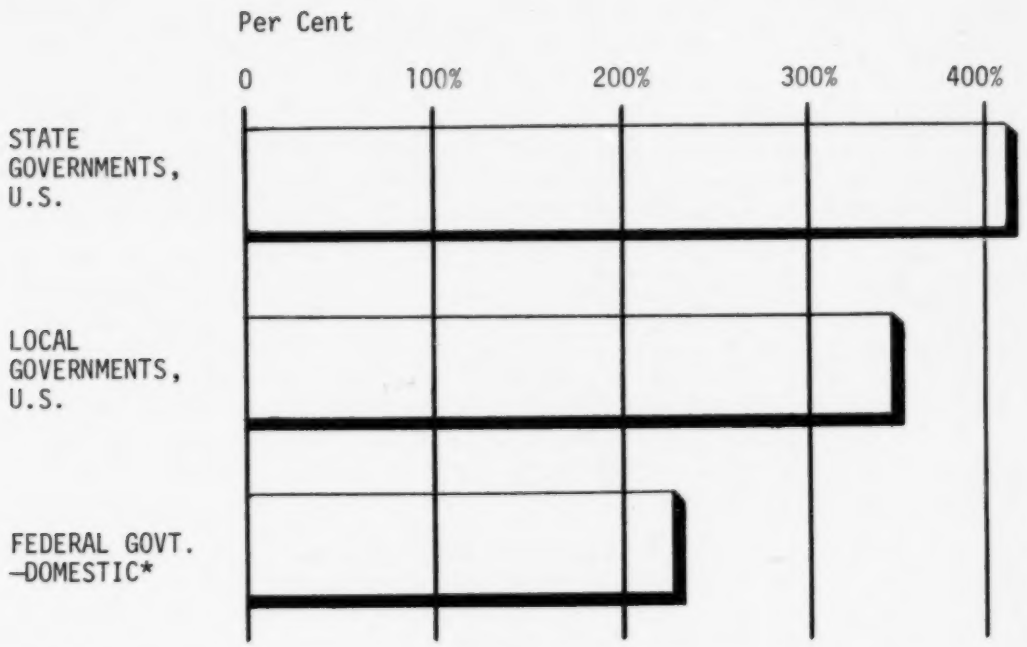
Where does the consumer education teacher fit into this picture? Quite obviously, consumers are vitally concerned. After all, they pay a major part of increased taxes in the form of direct or indirect taxes. Yet, very little has been done to prepare students to make intelligent judgments on these important issues. One place to start is in the consumer education classroom.

Teaching about taxes is a tough job. It requires dedication on the part of the teacher and continuous study to develop effective teaching materials and methods of presentation. Textbooks alone are not sufficient. To vitalize this subject requires constant reference to articles appearing in the news media and other sources. Student-teacher interaction to changes or proposed modifications of our tax system should help dramatize this subject.

Whenever practicable, students should be encouraged to discuss these problems at home. Or, students may reproduce tax news releases to distribute to their parents and other interested parties. Frequent use should be made of outside resource people such as State and local government officials, school business managers, school administrators, representatives of taxpayers' associations, and the League of Women Voters.

INCREASE IN ALL GOVERNMENT EXPENDITURES

United States 1950-1969



*Excludes defense, international and space expenditures

SOURCE: U. S. Bureau of the Census

Consumer education teachers should not hesitate to encourage discussions of controversial issues. The teacher should avoid interjecting his value judgments until his students have expressed their opinions. The teacher's function is not to form public opinion although he should feel free to present points of view which help to expose the issues to broad discussion. He should provide a forum for intelligent discussion of controversial questions and assist students in developing a thorough understanding of the issues under discussion.

Students should not blindly accept the present tax system as perfect or assume that all governmental programs contribute to the welfare of the community, nor should they condemn it without reliable information. Many suggestions for changes in our tax system have been made in recent years.

Numerous articles and books have criticized the so-called "loopholes" available to taxpayers in the high income brackets. Students should become familiar with tax provisions that enable some individuals and corporations to minimize their tax obligations, such as the special tax treatment afforded oil and gas producers, speculators (or investors) in real estate and securities, and investors in tax-free municipal bonds. Students should be familiar with the reasons why these provisions exist and their costs in terms of reduced taxes.

Changing our system of taxation lies within the power of the people. The most effective means of changing our tax laws is through the exercise of the right to vote and through direct communication with legislators. The system is not perfect, but with patience and sustained effort it can be modified.

Paying taxes is painful. Money is taken from the taxpayer and given to the government. If taxpayers feel that the taxes they pay contribute to their well-being, they don't, as a rule, complain. But, if taxpayers feel that their money is being wasted, that they are being taxed unreasonably, or opportunities exist to pay lower taxes in a nearby location, tax avoidance and evasion may become widespread and lead to tax revolts or violence such as occurred at the time of the American Revolution. Students should know what benefits they receive for their tax dollar.

Voters in a democracy should be well-informed concerning tax laws and should become involved in promoting equitable tax systems. This is one of the most effective means for citizens to participate in the democratic process and to improve the quality of government.

SELECTING INSTRUCTIONAL MATERIALS

In selecting suitable materials, the teacher must, of course, take into consideration the interests and abilities of his students. However, despite the complexity of this subject, every effort should be made to give all students a basic understanding of the most important aspects of taxation. For example, most students should become familiar with the broad concepts pertaining to governmental and school budgets, i.e., the major sources of revenue and the major categories of expenditures. Students

ought also to understand the difference between regressive, proportional, and progressive taxes. Recently, "value-added" taxes have been suggested as a new method of taxation. Students should learn how this tax would be applied and what the implications of this form of taxation may be to them and their parents.

In using the materials which follow, teachers undoubtedly will stress certain objectives more than others. This is as it should be. After all, the teacher's function is to meet the needs of his students. He undoubtedly will develop additional objectives and materials designed to implement the introduction of new topics. The subject of taxes is a dynamic one. Teaching programs should be constantly revised to enable students to better understand the subject and to develop new topics for class discussion. Numerous reference materials are cited. These represent only a fraction of the materials available. Resourceful teachers will find many more.

Caution: Every attempt has been made to update the materials presented in this unit. But teachers should be on the alert for changes in tax laws and revise their teaching materials accordingly.

Consumer education teachers can contribute to citizenship education by helping their students to better understand our Federal, State, and local tax systems and by guiding future citizens in developing rational attitudes toward paying reasonable taxes. Students should know that tax evasion, in addition to being unlawful, defeats the purposes for which taxes are levied.

Those who shirk paying their fair share of taxes shift their responsibility to others who are already bearing their fair share of the tax load. Students should become familiar with the many types of services provided by all levels of government. One way in which this may be accomplished is by asking students to imagine what would happen if their local school district were forced to make drastic cuts in appropriations for textbooks, athletics, art supplies, teachers' salaries, and fuel oil; or, if a municipality were unable to provide funds for fire protection, garbage collection, police protection and similar services; or, if the Federal Government ran out of money to make social security payments to the elderly.

It is important that students realize that governments provide many valuable services without which modern societies cannot survive. Any well-rounded presentation or discussion of taxes should stress the positive contributions that our government can make to our society through tax collections and the implementation of worthwhile governmental programs. In recent years the defects and inadequacies of our tax system have received so much negative comment in the press that students, as well as the general public, may be inclined to overlook the many worthwhile services which governments provide. The teacher of consumer education should give both sides of the story adequate coverage.

BUDGETING

- Individual
- Government
- Schools

BACKGROUND MATERIAL FOR TEACHERS

Budgeting

Why should high school students study government budgeting? Shouldn't this subject really be left to professionals and graduate students of public finance? Some authorities might answer in the affirmative.

However, in a democratic society, substantial economic and cultural activity is generated by government and school programs. The general public should, therefore, gain some experience in making critical judgments regarding (1) the purposes for which their money is being spent and (2) the impact various types of taxes have on their pocketbooks.

Citizens frequently are asked to vote on state, local, and school bond issues and school budgets. As voters they make important decisions regarding governmental and school programs. Yet, many voters lack sufficient understanding of public finance to participate intelligently in this vital political process.

Before introducing the mechanics of budget making, the instructor should be certain the students know why an understanding of budgeting is important to them as individuals and as members of society. As citizens, they have a right to know how the government proposes to spend their money and to whom the costs of government are to be charged.

As a prerequisite to studying government budgets, personal or family budgets should be presented. Even though many individuals and families do not prepare formal budgets, they may make short-term estimates of future income and expenditures. This is not the best procedure, but it is a form of budgeting. If students are familiar with this process, they can acquire a basic understanding of more complicated budgeting procedures.

The following are some of the concepts encountered in budgeting with which students should become familiar:

- A budget is an estimate of anticipated revenue (income) and expenditures (outgo) for a future period.
- If actual revenue exceeds expenditures, a surplus results. This surplus may be used to finance expenditures in future periods to establish a "rainy day" fund for emergencies or to reduce taxes.
- If actual expenditures exceed actual revenues, a deficit results. If a government or school operates at a deficit, it may have to (1) borrow money (by issuing bonds or notes) to provide funds not provided by taxes, (2) use surplus funds from prior periods to meet current expenditures, or (3) postpone payment for goods and services purchased to the next fiscal period. (In government parlance this is called "rolling over" the payment of some bills to the next fiscal period. This practice generally is frowned upon; but sometimes this is unavoidable due to a sharp decrease in revenues during business recessions or due to extraordinary expenditures caused by disasters, famine, epidemics, etc. Students should realize that if they or the government "roll over" their debts for too long a period, their credit may suffer.)

- When preparing a budget, conservative, but not unrealistic, estimates of income should be made. Estimates of expenditures should provide reasonable provision for contingencies. Governments have been known to substantially understate anticipated revenues and to overstate anticipated expenditures so as to create a surplus. This generally is considered poor practice. The public has a right to receive reliable information.
- In preparing a budget, it is necessary to select from among alternative programs those items to be funded. Governments, as well as individuals, cannot satisfy all their wants nor sometimes even all their needs. If a community needs a mass transit system to reduce pollution, it may have to cut down on expenditures for highways. Or, if welfare payments are increased, the allocations for parks and recreation may have to be cut. The principle of "You can't have your cake and eat it too" is applicable despite the frequently expressed belief that governments have unlimited funds.
- Merely preparing a budget is not enough. Determination (discipline) is required to operate within a budget. This discipline applies to governments as well as to individuals.
- Government and school budgeting can become more effective if the general public participates in the budget-making process. Students should be encouraged to attend budget meetings of school boards and local governments; and they should become familiar with State and Federal budgets.
- Copies of a proposed budget should be widely distributed well in advance of budget hearings so that interested parties may have sufficient time to digest and react to the proposed budget.
- Whenever feasible, receipts and expenditures for previous years as well as current budget amounts should be included in a budget proposal. This facilitates meaningful comparison.
- Persons responsible for preparing budgets should consider both the willingness and ability of taxpayers to pay for government services. Continually ignoring the taxpayer can lead to a tax "rebellion."
- At the end of a fiscal period, a financial report of actual receipts and expenditures should be published. A simplified version of such a report follows:

Village of Golden Heights

General Fund

Statement of Receipts, Expenditures, and Balances
January 1, 1973 to December 31, 1973

Cash balance: Jan. 1, 1973	$10,000.00	
Receipts: Jan. 1, 1973-Dec. 31, 1973	50,000.00	*
Total cash available	60,000.00	
Expenditures: Jan. 1, 1973-Dec. 31, 1973	58,000.00	*
Balance on hand, Dec. 31, 1973	$ 2,000.00	

*Categories of receipts and expenditures may be listed.

- Surplus funds should be wisely invested to earn interest and thus increase revenues. Municipalities and school boards frequently invest in short-term certificates of deposit, U.S. Treasury bills, U.S. notes, etc.
- Budgeting should be an on-going affair. Estimates (forecasts) of receipts and expenditures should be updated during the fiscal period to reflect changing economic conditions, new programs, or phaseouts of old programs.
- Budget figures take on more meaning and are more comparable if taxes and expenditures are expressed in terms of per capita, per pupil, per mile, per inmate, or per patient costs.

A suggested list of objectives for this topic follows. Teachers should select those objectives most suitable for their classes. Students should

- know why it is important for them to study budgeting.
- know the meaning of the term budget.
- become familiar with actual individual, family, school, and government budgets.
- know the meaning of such terms as surplus, deficit, "rainy-day" fund, fiscal period, etc.
- know what is meant by "rolling over" debts and why this practice generally should be discouraged.
- know that governments, as well as other economic units, must deal with the problem of scarcity (unlimited wants v. limited resources) and consequently must select from among alternative wants those it deems most important.
- gain an elementary understanding of the effect of government deficits or surpluses on the economy as a whole.
- realize the importance of living within a budget, once it is adopted.
- learn that good budgeting requires good recordkeeping so that financial reports can be prepared and used to evaluate the effectiveness of the budgeting process.
- be familiar with some of the ways in which governments, including school districts, may invest short-term surplus funds to increase revenue (certificates of deposit, U.S. Treasury bills, etc.).
- realize that the public can influence the budgeting process through direct communication with public officials, the power of the vote, group pressure, etc.
- realize that there is a price tag attached to the services provided by government. If the public demands new highways, new hospitals, more police and fire protection, expanded recreational activities, prison reforms, etc., these services must be paid for through increased taxes. ("You can't get something for nothing.")
- know how to calculate and interpret per capita costs, per pupil costs, per patient costs, etc. (Many students enjoy using office machines to perform these calculations.)

. know how to compute percentages and use them for making quantitative comparisons, such as total Federal expenditures to GNP, interest on Federal debt to GNP, year-to-year comparisons of budget items, etc.

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
WHY SHOULD HIGH SCHOOL STUDENTS STUDY BUDGETING?		
. Intelligent financial planning can help us acquire the goods and services we want and need.	. Discuss: Is it really necessary for families to go through all the red tape of preparing a budget?	. "Sample Budget Breakdown," The Knickerbocker News, 1/10/73. (See clipping on the following page.)
. Budget income must eventually equal outgo.	. Question: If a man's take-home pay is $150 per week, can he spend $200?	. Borrowing against future earnings requires careful planning to assure repayment of the loan.
. Wise money management promotes harmony.	. Ask students if they have ever heard a family argument over money. What was the issue? How could the situation have been resolved? Would better budgeting have helped?	. Family quarrels frequently result from arguments about money – or lack of it.
. Well-managed governments, schools, and businesses operate on a budget. . Easy credit may lead to overspending and financial disaster.	. Question: What might happen if a school district operated without a budget?	
. Good budgeting requires selection from among alternatives.	. Have students prepare a list of their wants. Ask them to assign a priority number to each item. Then ask them to approximate the cost of the five highest priority items and determine which they could realistically afford.	. There were almost 200,000 personal bankruptcies in the United States in one recent year.

Business-Finance

THE KNICKERBOCKER NEWS UNION-STAR Money

Sample Budget Breakdown: Guide to Family Spending

By LUCRETIA STEIGER
Copley News Service

Nobody likes budgeting, but almost everybody does it.

Young families seem to follow one of two budgeting systems: the cash-in-envelope or the checking account.

"I used to use the cash-in-envelope system," one young mother said, "but it was to unhandy to have all that money around the house. I kept borrowing it."

TO ESTABLISH an individual budget for your family, experts advise using the following percentages as guidelines. By keeping a careful record of money spent for one month, then comparing the record to the percentages, areas of unusual spending can be discovered.

The percentages quoted were developed by the University of California's Heller Committee for Social Research, which used the Bureau of Labor Statistics 1969 study. "Three Budgets for an Urban Family of Four" as a base.

THE PERCENTAGES apply to "take home" or actually received funds.

Food: 23 per cent. Includes groceries, dairy items, beverages and meals away from home.

Housing: 23 per cent. Inclues mortgage payment or rent, utilities, insurance, taxes, repairs and furnishings.

Clothing: 9 per cent. Includes purchases, laundry, cleaning, alterations.

Savings: 9 per cent. Includes savings accounts and investments.

TRANSPORTATION: 8.5 per cent. Includes car expenses, insurance, fares, parking, licenses.

Personal allowances: 8.5 per cent.

Medical: 7. per cent. Includes doctors, dentists, drugs, health insurance.

Recreation and advancement: 3.5 per cent. Includes school, tuition, lessons, dues, vacation, recreation.

Gifts and contributions: 3.5 per cent. Includes personal gifts, donations to churches and charities.

Other expenses: 5 per cent. Includes life insurance and income taxes not withheld.

From The Knickerbocker News - Union-Star, Wednesday, January 10, 1973 14C

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
EXACTLY WHAT IS A BUDGET?		
. A budget is an estimate of anticipated income (receipts) and outgo (expenditures) for a given future period.	. Ask students to prepare a personal budget for a 1-week period. . Have students confer with their parents and prepare a family budget for 1 month.	. DeCamp, Catherine C., "The Money Tree," Signet Book W 5129, New American Library, New York, Chapter II, 1972 . Contact local government and school district offices to obtain copies of recent budgets.
WHAT IS A GOVERNMENT BUDGET?		
. A government budget is an estimate of how much money a particular branch of government intends to spend on various governmental programs and how much money it will receive from taxation and other sources of revenue.	. Ask students to give examples of various governmental programs. . Budgets for the United States, New York State, and New York City are included in this publication. Ask students to prepare wall charts showing the major items of income and expenditures.	. Contact your State senator or assemblyman to obtain a copy of the "Governor's Annual Budget Message " (a valuable reference for this unit).
WHY DO GOVERNMENTS PREPARE BUDGETS?		
. Government budgets assist officials to control expenditures, so as not to exceed income. . Government budgets are a means of communicating information regarding the financial affairs of government.	. Encourage students to discuss questions such as: - What benefit can a citizen receive from attending budget meetings? - If the government spends more money than it receives in taxes, how does it make up the difference?	. A budget should let the general public know how the government spends its money and where the money is coming from.

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
. The Federal budget plays a positive role in promoting economic stability.	(A process of short- or long-term borrowing or "rolling over" its bills is employed.) - If the Federal Government spends $250 billion and takes in only $225 billion, why does this act tend to stimulate economic activity? (See below for a discussion of fiscal policy.)	. Kimmell, Lewis H., "Federal Budget and Fiscal Policy," The Brookings Institution, Washington, D.C., 1959. (See Introduction and Chapter VII.) . Consult any recently published elementary economics textbook for explanations of Keynesian economics.

BACKGROUND MATERIAL FOR TEACHERS

Budget deficits and the huge Federal debt are topics of great concern to the American public. Deficits and the consequent increase in the Federal debt sometimes result from poor fiscal management; but sometimes deficits are created deliberately to stimulate the economy.

A simplified explanation of how deficits may increase economic activity follows.

If the government spends $250 billion and takes in only $225 billion, it takes $25 billion less out of taxpayers' pockets in taxes than it puts back when it buys goods and services.

The $25 billion which the government "puts back" into the economy may stimulate economic activity, thus increasing consumption, production, and employment. This fiscal device has been used effectively by the Federal Government to get the economy moving again.

However, if the economy is booming and the rate of inflation is increasing, the government may spend less than it receives in taxes, thus creating a budget surplus. This tends to decrease the demand for goods and services and may decrease employment, consumption, and production, as well as the rate of inflation.

This application of Keynesian economic principles has become standard procedure for many governments throughout the world. The purpose of all this manipulation is to bring about greater stability in the level of economic activity, i.e., to avoid "booms and busts" such as occurred during the 1929-33 period of depression.

But this is only one of the tools used to promote economic stability. Other measures, such as monetary control, price and wage controls, and improved economic forecasting also are used.

Stimulus of U.S. Budget May Taper

By EDWIN L. DALE Jr.

WASHINGTON—The Federal budget will provide massive stimulus to the economy in the present nine-month period from October to next July, but the stimulus will then decline rapidly.

This is the conclusion from a new, unpublished set of figures circulating within the Government. Their importance is that they break down the Government's spending and receipts on a quarterly basis, which the regularly published documents do not.

The implications of the figures are a subject of debate here. The magnitude of the budgetary "swing" is almost without precedent.

The new estimates measure budgetary stimulus or restraint on the "full employment" basis of assessing the budget, which is generally regarded—though it is somewhat controversial—as a better measure of budget impact than the simple budgetary surplus or deficit. In the "full employment" concept, receipts are estimated as they would be with the national unemployment rate at 4 per cent.

The unpublished figures show that the "full employment" deficit will reach a peak in the vicinity of $20-billion, annual rate, in the first quarter of 1973. The massiveness of the swing to stimulus is shown in the fact that the "full employment" budget was actually in surplus in the second quarter of 1972.

It moved mildly into deficit in the third quarter, is rising to a deficit in the region of $10-billion in the current fourth quarter, will soar further toward $20-billion in 1973's first quarter and will remain high in the $12-billion area in the second quarter. And then—assuming a fairly restrictive Presidential budget for the fiscal year of 1974—the deficit will all but disappear in the last two quarters of 1973.

In assessing this extraordinary swing in budgetary impact on the economy, officials caution at the outset that the stimulus in the current nine-month period is not quite as great as the big deficit figures imply. There are two reasons for this:

¶First, the deficit is swollen by $5-billion in revenue-sharing payments to the states, much of which will not be quickly spent and thus will not have an impact on total demand in the economy. Instead this money will temporarily increase an already large state and local surplus, which will be a partial offset to the Federal deficit.

¶Second, the projected deficit for the first two quarters of next year also includes about $5-billion in "excess" income-tax refunds next spring stemming from overwithholding in 1972. No one knows exactly what consumers will do with this money, but there is a general expectation that a good portion of it will be saved rather than spent.

This article appeared in the December 10, 1972, edition of The New York Times.

It is included here to provide teachers with an example of the practical application of Keynesian economic principles, i.e., determining how government fiscal policy affects the economy of the Nation.

This type of analysis is a job for professional economists. But layman should have a general understanding of how government budgeting practices may be used to counteract destructive economic forces.

High school students should acquire at least a basic understanding of this subject.

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THOSE WHO DON'T PAY THEIR FULL SHARE OF TAXES CAUSE OTHERS TO PAY MORE THAN THEIR SHARE.

"What is it to us if taxes rise or fall, thanks to our fortune, we pay none at all."
FEDERAL INCOME TAX

QUESTIONS FOR REVIEW AND DISCUSSION

Before proceeding with the study of actual government budgets, it may be desirable to have students discuss some of the following questions. (See "Background Material For Teachers " on preceding page.)

1. What is a budget surplus?

2. What is a budget deficit?

3. What is meant by "rolling over" debts?

4. What guidelines should be kept in mind when estimating future income and expenditures for budgeting purposes?

5. What factors may limit the services which a unit of government may provide?

6. Must budget income equal outgo?

   (Generally, yes. But governments may (1) borrow, (2) "roll over" debts, (3) deliberately operate at a deficit or surplus. (See "fiscal policy," page 13.)

7. Why should citizens participate in government and school budget hearings?

8. How can the "man in the street" make his opinions known to Federal and State legislators?

9. Should government and school financial records be audited?

   (Division of Audit and Control – State, local, and school audits. Independent audits by certified public or public accountants)

10. School districts and other units of government frequently have large sums of cash available which will not be expended immediately. How should these funds be managed?

    Problem: The Sun Valley School District invested $1 million of its surplus cash in a 90-day certificate of deposit at 5 percent annual interest. How much money would the school district earn in 90 days?

    (Answer: $12,500. Not bad. That may be enough to pay one teacher's salary for a full year).

11. Government and school budgets generally contain large dollar amounts that are difficult to understand. How can these figures be made more meaningful?

(Answer: If expressed as a budget item, break it down in terms of individual units.)

TERM	BUDGET ITEM
. per capita	. government taxes, expenditures, public debt, etc.
. per student	. total cost of education
. per mile	. highway construction and maintenance costs
. per employee	. wages for various occupations
. per homeowner	. police protection, fire protection, etc.
. per inmate	. prison costs
. per patient	. hospital costs

GOVERNMENT BUDGETS:*

- FEDERAL
- NEW YORK STATE
- NEW YORK CITY

* Test yourself questions will be found following each budget

THE FEDERAL BUDGET

A breakdown of major sources of revenue and major categories of expenditures for the Federal Government for the fiscal year 1969-70 is given below.

Teaching-Learning Activities

1. Ask some students to prepare wall charts of Federal receipts and expenditures.

2. After students have become familiar with the budget, distribute copies of the Test Yourself Questions pertaining to the Federal budget which appear below.

3. When the students have found the answers to these questions, encourage discussions concerning questions such as:

   Does the Federal Government spend an excessive amount of money on national defense?
   (Relate to U.S. budget as well as to international arms competition.)

   Should the Federal Government operate at a deficit?

   If social security benefits are increased, should the social security tax be increased? Or should the increase be paid on the basis of total individual earnings?
   (The 1973 cutoff is $10,800; that is, earnings are taxed for social security purposes up to $10,800. The 1974 cutoff is $12,000).

   Is the social security tax a progressive, proportional, or regressive tax?

   Problem: Wage-earner Adams who earns $10,800 pays a social security tax of $561.60. ($10,800 x .052) Wage-earner Boyd who earns $108,000 pays $561.60. ($10,800 [cutoff] x .052) What percentage of Adam's wages are paid into social security? What percentage of Boyd's wages are paid into social security?

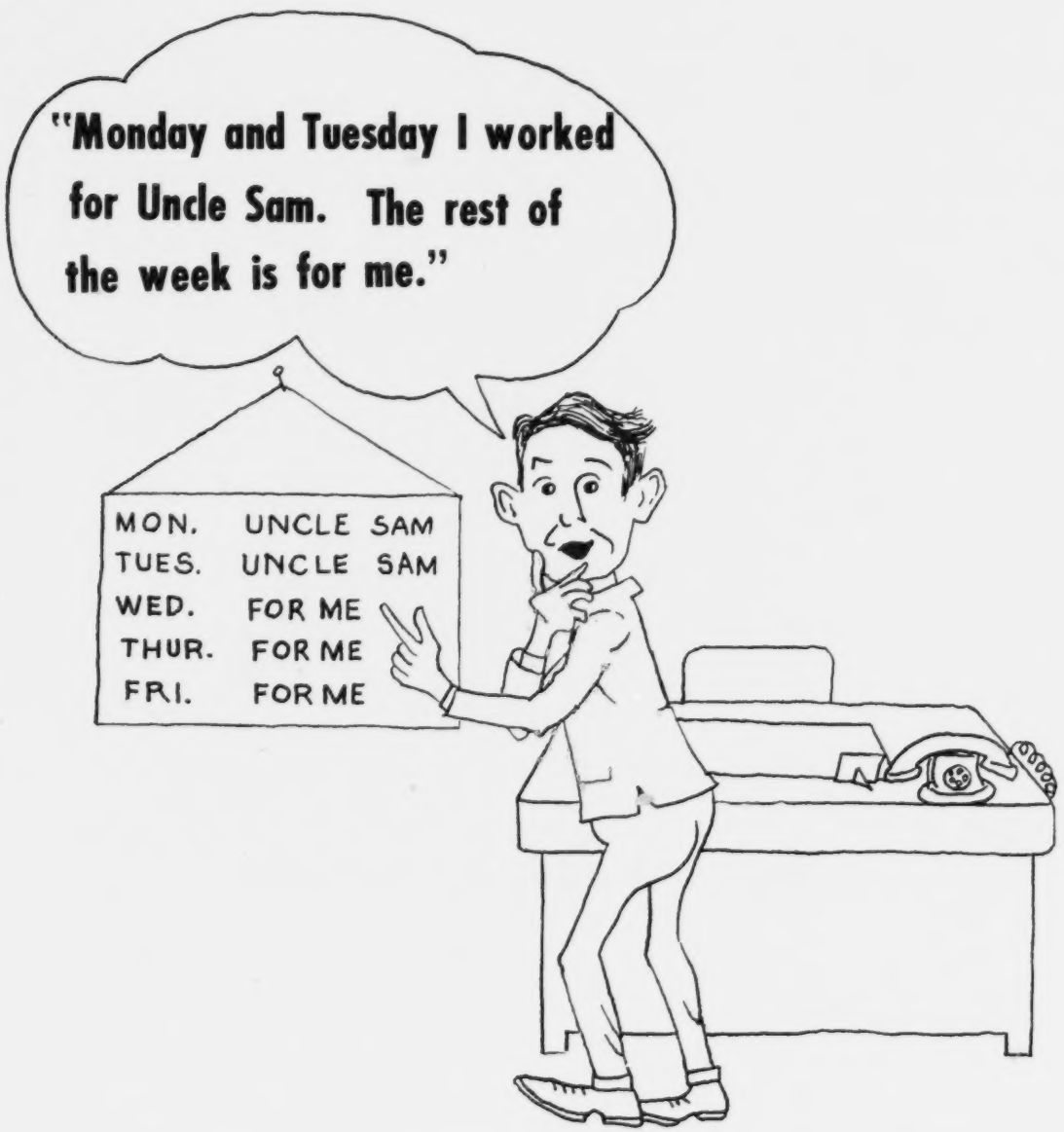
   What is the amount of the Federal debt?

   What is the per capita amount of the Federal debt?

Notes: (1) Many economists are not particularly concerned with the amount of the Federal debt. Their concern is with the amount of debt compared to the gross national product. Further consideration is given to this topic following this section.

(2) The social security tax has been severely critized by some writers and newsmen.

(3) Various opinions regarding some of the above questions may be expressed. The teacher should encourage a variety of viewpoints, but he should elicit or interject factual information whenever this seems appropriate.


"Monday and Tuesday I worked for Uncle Sam. The rest of the week is for me."
MON. UNCLE SAM
TUES. UNCLE SAM
WED. FOR ME
THUR. FOR ME
FRI. FOR ME

FEDERAL BUDGET*

July 1, 1969 to June 30, 1970

Where The Money Comes From

RECEIPTS ($193.8 Billion)

INCOME TAXES (Corporate and Individual)	SOCIAL INSURANCE AND RETIREMENT	EXCISE TAXES	OTHER
$123.2 Billion	$45.3 Billion	$15.7 Billion	$9.6 Billion
63¢*	23¢*	8¢*	6¢*

(*Number of cents of each dollar that comes from various sources)

"Death and taxes are inevitable."

FEDERAL EXPENDITURES

July 1, 1969 to June 30, 1970

	(Number of cents of each dollar expended for various programs)
Interest $14.3 Billion	7¢
Health $15.8 Billion	8¢
Space Research and Technology $3.7 Billion	2¢
Agriculture $6.5 Billion	3¢
Income Security $40.7 Billion	21¢
International Affairs $3.5 Billion	2¢
Community Development and Housing $3.1 Billion	2¢
National Defense $80.3 Billion	41¢
Natural Resources $2.5 Billion (net)	1¢
Education and Manpower $7.4 Billion	4¢
Veterans $8.7 Billion	4¢
Commerce and Transportation $9.3 Billion	5¢
General Government $3.4 Billion	2¢

Total Expenditures = $196.8 Billion

Notes: (1) The figures add to more than total outlays because they include certain transactions which are entirely within the Government and are thus deducted prior to arriving at the total.

(2) Detail may not add to totals due to rounding.

FEDERAL BUDGET
Fiscal Year 1970
Deficit, Receipts, and Expenditures

fiscal year 1970 budget

In fiscal year 1970, (which began on July 1, 1969 and ended June 30, 1970), Federal outlays were $196.8 billion, and receipts totaled $193.8 billion, leaving a deficit of almost $3 billion.

Receipts

Receipts come mainly from individual and corporate income taxes—$123.2 billion, or almost ⅔ of the total in fiscal year 1970. Social insurance and retirement taxes totaled $45.3 billion and excise taxes $15.7 billion. The Government's other revenues come from a variety of sources.

The Government's revenues are used for providing a wide range of public services. Outlays for domestic programs to meet the needs of our growing population and urgent social problems were given high priority in the 1970 budget, while other programs were held down insofar as possible.

Expenditures

National Defense: $80.3 Billion. 41 cents of each dollar spent by the Government in 1970 went for maintaining our national security, for military assistance abroad, and for atomic energy programs.

International Affairs: $3.5 Billion. 2 cents of each dollar went for international programs, such as economic and technical assistance, Food for Peace, the operation of embassies and information activities abroad, and the Peace Corps.

Space Research and Technology: $3.7 Billion. Manned space flight, space science, and technological and supporting activities, took about 2 cents of each Government dollar in 1970.

Agriculture: $6.5 Billion. 3 cents of each dollar spent were used for the stabilization of farm income, financing rural electrification and housing, soil conservation, research, and food inspection.

Natural Resources: $2.5 Billion. Gross spending for water pollution abatement, management and protection of the national parks and forests, flood control, power projects and related programs was $3.6 Billion. After deducting receipts of $1.1 billion for activities such as leasing of mineral rights and timber sales, net spending for natural resource projects in 1970 was $2.5 billion or 1 cent of the budget dollar.

Commerce and Transportation: $9.3 Billion. 5 cents of the 1970 Government dollar went for specially financed highway construction; operation of the Federal airways, the Post Office, and the Coast Guard; aids to economically distressed areas and small business; and for related programs.

Community Development and Housing: $3.1 Billion. The Federal Government helps provide loans and grants for public housing, urban renewal, model cities planning, parks, water and sewer facilities, and neighborhood facilities. It also aids private housing through support of the mortgage market and rent supplements. These programs took 2 cents of the Government dollar.

Education and Manpower: $7.4 Billion. Programs to improve the quality of education at all levels, to assist science education and basic research, vocational education, and manpower training, took 4 cents of each dollar of the Federal budget. Special emphasis is being placed on improving the education of disadvantaged children and in training the hard-core unemployed.

Health: $15.8 Billion. Through Medicare and Medicaid the Government helps pay the medical bills of the Nation's aged and poor. In addition, the government provides funds for medical research, training health manpower, construction of health facilities, and the prevention and control of health problems. These programs took 8 cents of the Government dollar in 1970.

Income Security: $40.7 Billion. This category includes social security, unemployment and retirement benefits which are financed by taxes specifically levied for these programs. It also includes public assistance grants, food and nutrition programs and vocational rehabilitation. These programs accounted for 21 cents of each Government dollar in 1970.

Veterans: $8.7 Billion. Pensions and compensation, hospital care and medical treatment, education and training of veterans, life insurance benefits, and other veterans programs took about 4 cents of the Government dollar.

Interest: $14.3 Billion. Interest payments on the debt held by the public required about 7 cents of each Government dollar in 1970.

General Government: $3.4 Billion. About 2 cents of each dollar went for strengthening efforts to control crime, making and enforcing our laws, managing Government finances and property, and other general activities.

"The marvel of all history is the patience with which men and women submit to burdens unnecessarily laid upon them by their government."

Borah

TEST YOURSELF ON THE 1969-70 FEDERAL BUDGET

Try to find the answers to the following questions:

1. From what source does the Federal Government receive most of its funds? Answer _____
2. For what purpose did the Federal Government spend most of its income? Answer _____
3. Was there a budget surplus or a budget deficit for this period? Answer _____. About how much? $_____
4. Were expenditures for social insurance greater or less than receipts? Answer _____. About how much? $_____
5. Approximately how much did the Federal Government spend for interest on the Federal Government debt during this period? Answer $_____
6. The Federal Government spent almost $16 billion for health programs. List some of the benefits the public received from these expenditures.

   _____
   _____
   _____
   _____

7. About how much did the space program cost the Federal Government for the 1970 fiscal year? Answer $_____
8. The Federal Government obtains income from excise taxes. What is an excise tax? Give some examples of commodities subject to excise taxes.

   _____
   _____
   _____
   _____
   _____
   _____

9. Approximately how much did the Federal Government spend per capita in 1969-70? Answer $_____
   (To get a rough estimate, assume that the total U.S. population is 200 million people and that expenditures were $200 billion.)
10. About how many cents out of each dollar of expenditures did the Federal Government use for education and manpower? Answer $ _____ How does this compare with expenditures for national defense?

    _____
    _____
    _____
    _____

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
IS THE FEDERAL DEBT TOO BIG?		
. Some economists say "No" — not if measured in terms of GNP. . GNP (gross national product) is the total value of goods and services produced by the economic system of a country. . However, economists also point out that excessive public spending, when the economy is going full blast, increases inflationary pressures, (i.e., sharp increases in prices, interest rates, wages, etc.). This may cause recessions and discourage private investment. . One of the biggest dangers of excessive government spending and increases in public debt is that it creates an inflationary psychology. In its extreme form, such as in Germany after World War I, runaway inflation results.	. Ask a few students to prepare wall charts showing (1) the increase in the Federal debt from 1960 to 1972 and (2) the increase in the amount of interest on the U.S. public debt. . Have students approximate the percentage of the total U.S. public debt to GNP. U.S. Public Debt ÷ GNP = $\frac{\$\ 450 \text{ billion}}{\$1{,}100 \text{ billion}} = 40.9$ percent . Make copies of the chart on the following page. Ask students to interpret national debt and interest on the national debt in terms of GNP.	. U.S. News and World Report, January 24, 1972 . Samuelson, Paul A., "Economics," 8th edition, pp. 336-350 . Reynolds, Lloyd G., "Economics," revised edition, 1966, pp. 620-624 . U.S. Department of Commerce, "Business Conditions Digest," October 1972, U.S. Government Printing Office, Washington, D.C. 20402 (GNP data) . Macaulay, Thomas, "They saw that the debt grew; and they forgot that other things grew as well." . Public debt should bear some reasonable relationship to GNP. An increase in public debt at approximately the same rate as the rate of increase in GNP is not considered excessive.

"The power to tax is the power to destroy."
Marshall

PUBLIC FEDERAL DEBT COMPARED TO GNP*

(A) Year	(B) Public Federal Debt	(C) GNP	(D) Public Federal ÷ GNP Debt (B ÷ C)
	(billions)	(billions)	
1929	$ 16.3	$ 86.8	20 percent
1945	278.7	181.5	150 percent
1970	360	815.0	42 percent

TEACHING GUIDE

One way to assist students to understand the above table is to interpret Column D as follows: In 1929, the U.S. Government owed bondholders twenty cents for each dollar of goods and services produced by the U.S. economy (GNP). In 1945, after W.W. II, the U.S. Government owed one dollar and fifty cents, etc....

United States bonds are considered the safest investment because they are backed by the dynamic growth of the U.S. economy. As bonded indebtedness becomes due for payment, new bonds are issued. This process can go on indefinitely as long as the economy is sound. The amount of the debt is not as important as the size of the debt compared to the value of goods and services produced by the economy (GNP).

INTEREST ON PUBLIC FEDERAL DEBT COMPARED TO GNP*

(A) Year	(B) Interest on Public Federal Debt	(C) GNP	(D) Interest ÷ GNP (B ÷ C)
	(billions)	(billions)	
1929	$ .66	$ 86.8	$\frac{\$\ 660\ \text{million}}{\$\ 86.8\ \text{billion}}$ = 8 percent
1945	3.66	181.5	$\frac{\$\ 3.66\ \text{billion}}{\$181.5\ \text{billion}}$ = 2.0 percent
1970	16.5	815.0	$\frac{\$\ 16.5\ \text{billion}}{\$815.0\ \text{billion}}$ = 2.0 percent
1973	21.0 (est.)	1,100.0 (est.)	$\frac{\$\ 21.0\ \text{billion}}{\$1,100\ \text{billion}}$ = 1.9 percent

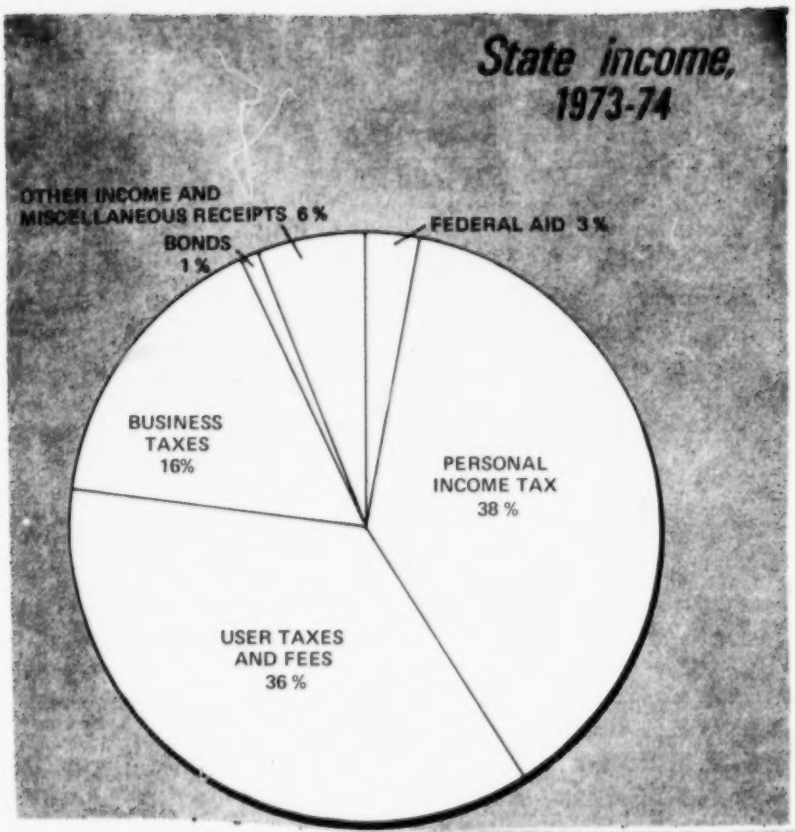
* "Adapted from 'Economics,' 8th edition, by Samuelson, Paul A., 1970, McGraw-Hill, New York. Used with permission of McGraw-Hill Book Company."

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
IS THE INTEREST ON THE NATIONAL DEBT BURDENSOME TO THE TAXPAYER?		
. Most of the interest paid simply transfers money from one group of U.S. taxpayers to another (except interest paid to foreign holders of U.S. government securities).	. Ask students to calculate the percentage of interest on the public debt to (1) GNP and (2) to total Federal expenditures based on the following "rounded" figures: (1) Interest on Federal debt ÷ GNP = $\frac{\$ 21 \text{ billion}}{\$1{,}100 \text{ billion}} = 1.9$ percent (2) Interest on Federal debt ÷ Total Federal Government expenditure = $\frac{\$ 21 \text{ billion}}{\$250 \text{ billion}} = 8.4$ percent (Note: Current GNP figures may be obtained from the U.S. Department of Commerce publication, Business Conditions Digest. The current amounts of Federal public debt and Federal expenditures are given in the Federal Reserve Bulletin.)	. "The MacLeish Memorandum on the National Debt," The Washington Monthly, May 1972, 1150 Connecticut Avenue, Washington, D.C. 20036
. Since most U.S. bonds are owned by banks, insurance companies, large corporations, and wealthy individuals, a redistribution of income from less affluent to more affluent citizens occurs when bond interest is paid.		. The $21 billion interest on the national debt is the third largest item in our Federal budget. National defense expenditures are first, and social security is second. . "The payment of interest on the national debt diverts funds from more pressing public needs, such as tax relief, revenue sharing, and pollution control, but it also places a special burden on the country's average and poor citizens." Federal Reserve Bulletin, Board of Governors, The Federal Reserve System, Washington, D.C. 20551

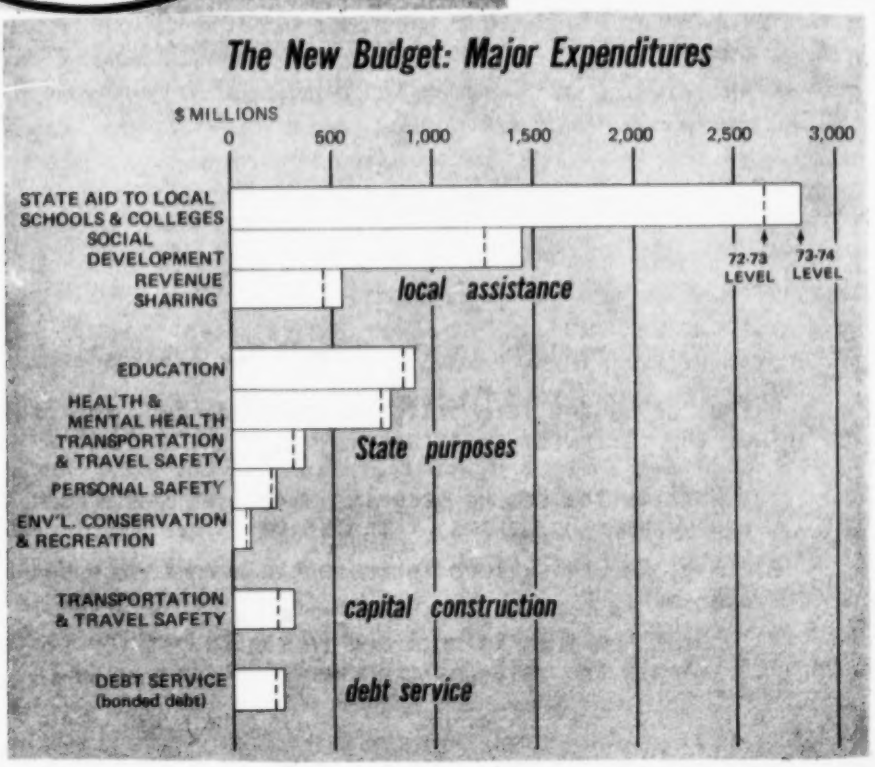
STATE OF NEW YORK

ANNUAL BUDGET

1973-74



The 1973-74 New York State Budget and Financial Plan



1973-74 ESTIMATED NEW YORK STATE INCOME

General Fund (millions of dollars)	1973–74 Estimated
Personal income tax	3,380.0
User taxes and fees	3,182.9
Sales and use tax	1,875.0
Motor fuel tax	494.0
Cigarette tax	328.0
Motor vehicle fees	250.0
Alcoholic beverage tax	167.0
Alcoholic beverage control licenses	33.4
Highway use tax	35.5
Business taxes	1,436.9
Corporation franchise tax	775.0
Corporation and utilities taxes	281.9
Insurance taxes	174.0
Bank tax	127.0
Unincorporated business tax	79.0
Revenue from other activities	396.7
Pari-mutuel tax	154.0
Estate and gift taxes	178.0
Lottery	53.5
Real estate transfer tax	8.0
Other taxes	3.2
Miscellaneous receipts	141.5
Total revenue	8,538.0

Additional income amounting to $220 million from Federal aid and $123 million from bonds will bring total receipts to $8,881 million — which equals estimated expenditures.

TEST YOURSELF ON THE 1973-74 NEW YORK STATE BUDGET

Using the budget information presented above, and other references, try to answer the following questions:

1. What is the second largest source of income used to carry out government programs of the State of New York? Answer _____ taxes.
2. May the Legislature increase the budget proposed by the Governor? Answer _____
3. About how much is included in the budget for State aid to local schools and colleges? Answer $_____

4. What is the total amount of money which New York State collects from the lottery? Answer $_____

5. Lottery receipts are used to finance education. What percentage of the cost of State aid to local schools and colleges is obtained from the lottery? Answer _____ percent (Use round numbers)

6. For what purpose is most of New York State's tax dollar spent? Answer _____

7. What is meant by the term "debt service"? Answer _____

_____

8. How much money has the Governor included in his 1973-74 proposed budget for environmental conservation and recreation? Answer $_____

9. What is the estimated amount that will be received from motor vehicle fees? Answer $_____

10. What percentage of the total estimated budget of $8,881 million will be derived from business taxes? Answer _____ percent _____

11. If the Governor's 1973-74 proposed budget is passed by the legislature as presented (not likely), approximately how much will this amount to for every man, woman, and child who lives in New York State? Answer $ _____ per capita. (Use round numbers.)

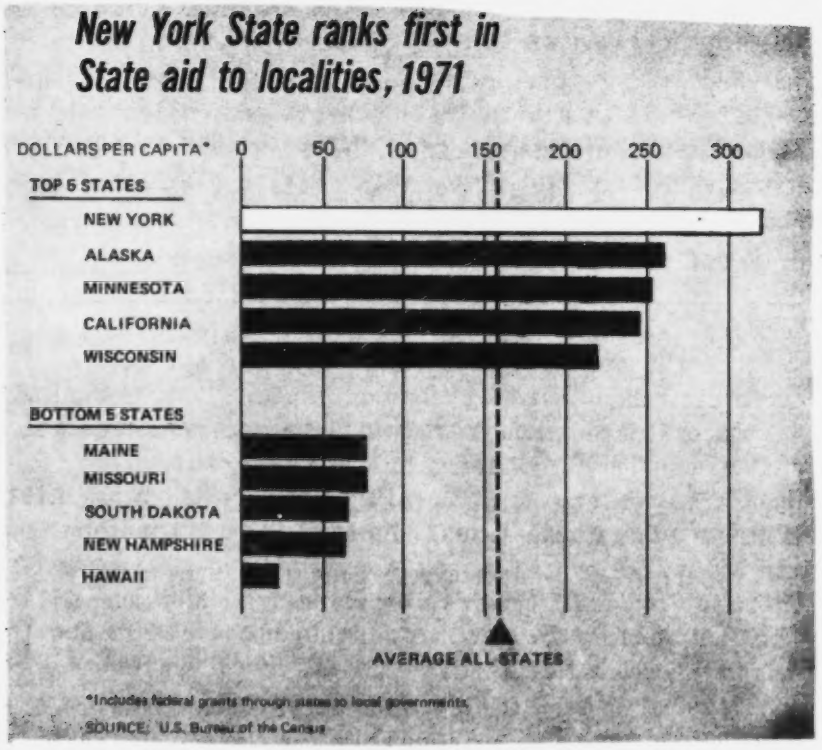
THE 1973–74 BUDGET AND FINANCIAL PLAN

NEW YORK STATE BUDGET

(millions of dollars)

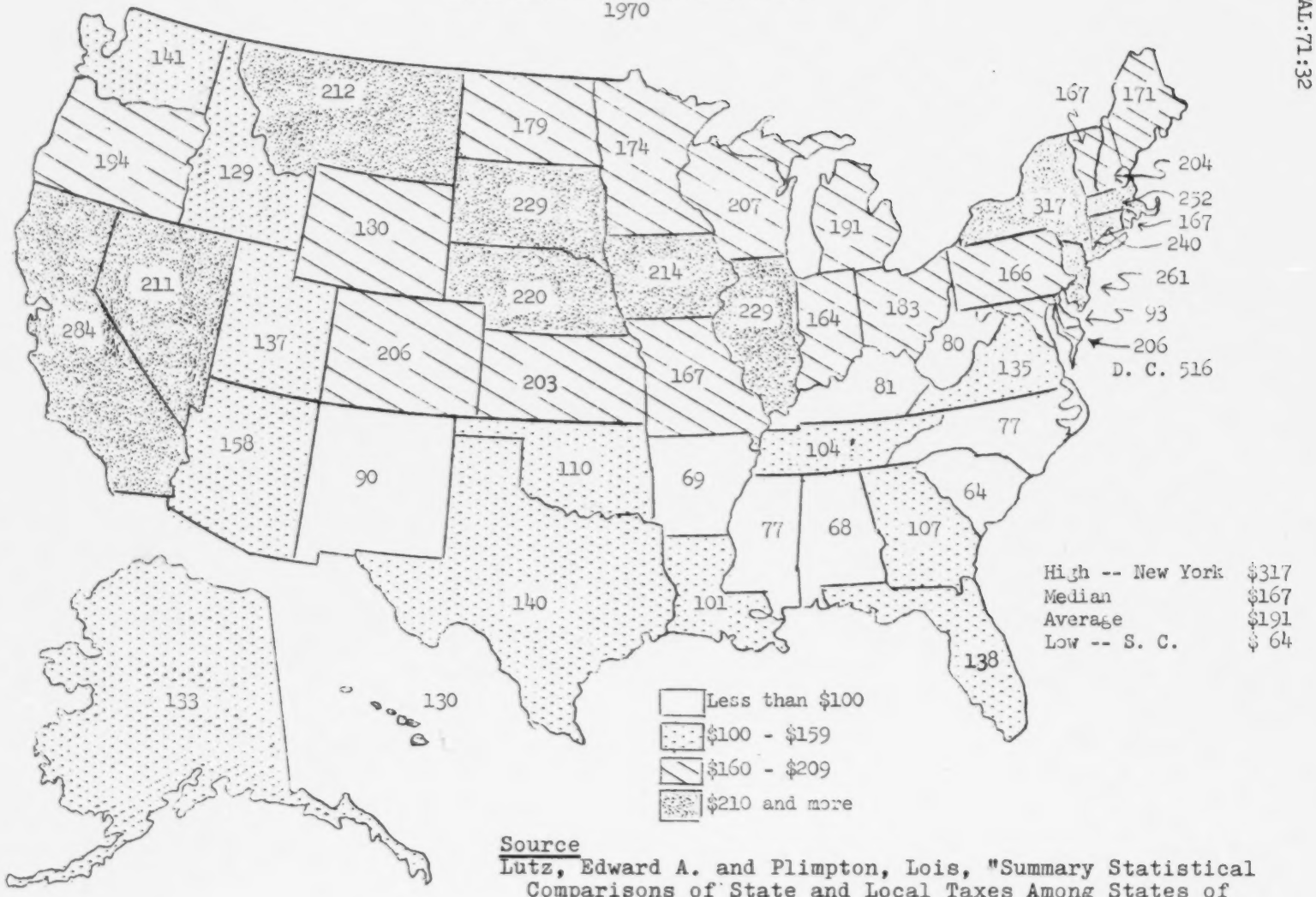
	1972–73 Estimated			Change from Current
	Mid-year Review	Current Estimate	1973–74 Recommended	1972–73 Estimate
Income				
Current Revenue	7,406*	7,481*	8,538	+1,057**
Federal Aid	450	442	220	−222
Bond Funds	104	100	123	+23
Total Income	7,960	8,023	8,881	+858
Repayment of Tax Stabilization Reserve Fund	−66	−66	.....	+66
Total Usable Income	7,894	7,957	8,881	+924
Expenditures				
State Aid				
Local Assistance Fund	(4,728)	(4,805)	(5,323)	(+518)
Capital Construction Fund	(78)	(72)	(112)	(+40)
Total State Aid	4,806	4,877	5,435	+558
Direct State Operations				
State Purposes	(2,535)	(2,548)	(2,829)	(+281)
Capital Construction	(343)	(318)	(377)	(+59)
Debt Service	(210)	(205)	(240)	(+35)
Total Direct State Operations	3,088	3,071	3,446	+375
Total Expenditures	7,894	7,948	8,881	+933
Excess of Income over Expenditures	.....	9		

*After redemption of $440 million in tax anticipation notes issued to partially finance 1971–72 deficit.
** Reflects growth of $617 million and nonrecurrence of $440 million special outlay.



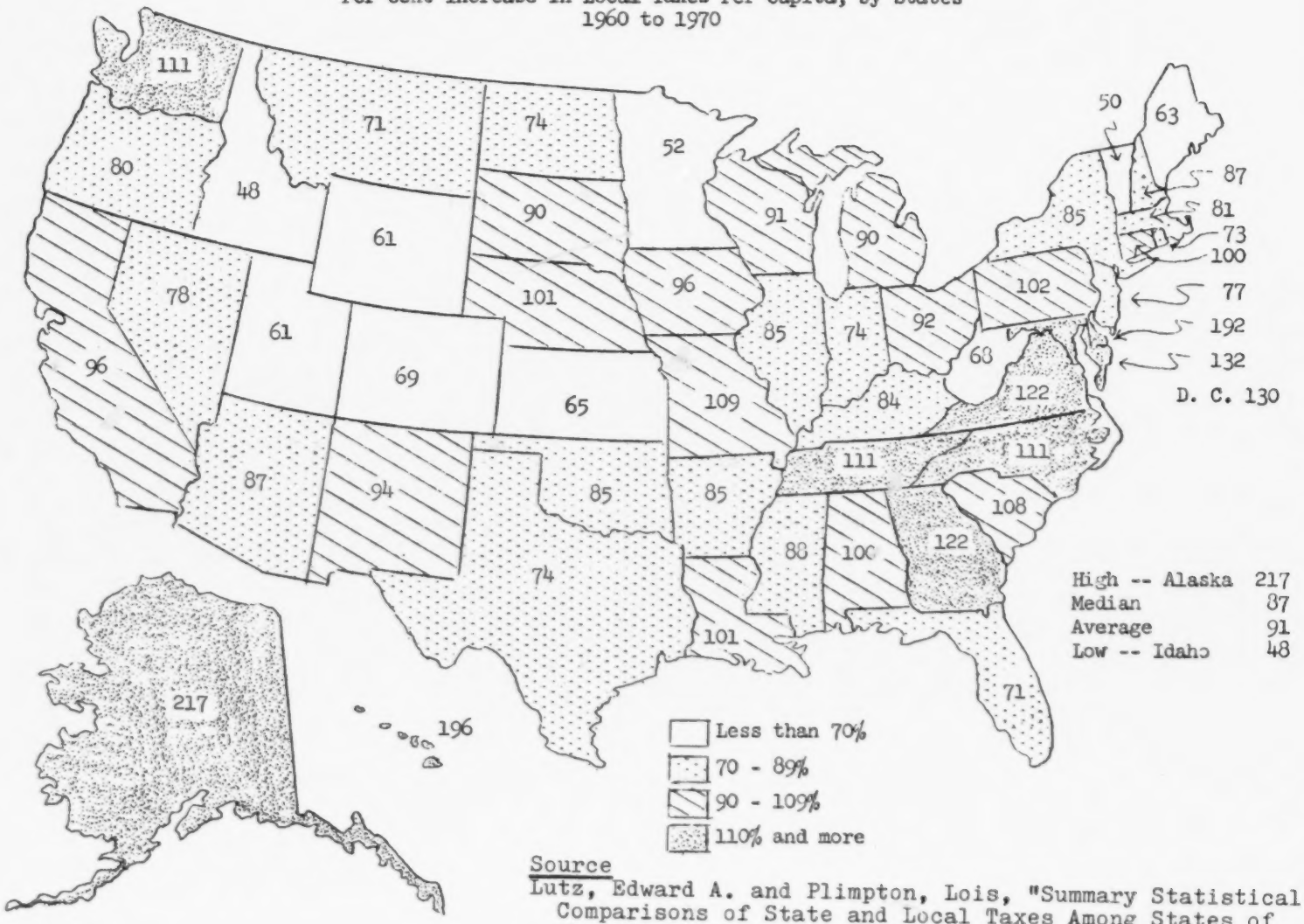
UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
WHAT IS STATE REVENUE SHARING?		
. State revenue sharing means that the state distributes money (state aid) to local governments and schools which it receives from state taxes. . The purpose of state aid is to help local governments pay part of the cost of government and to help schools pay part of the costs of education.	. Reproduce New York State's 1973-74 Budget and Financial Plan and distribute to students. Have students find (1) total amount of State aid and (2) the percentage of State aid to total expenditures. . Obtain copies of local school budgets. Ask students to find out how much their school district received in State aid. Also, what percentage of total school expenditures was paid by (1) the State and (2) the local community.	. State of New York, "Annual Budget Message 1973-74," p. M4 . See preceding page for 1973-74 New York State Budget and Financial Plan to find total State aid (under "expenditures").

Local Taxes Per Capita, by States
1970



Source
Lutz, Edward A. and Plimpton, Lois, "Summary Statistical Comparisons of State and Local Taxes Among States of the United States 1960-1970, 12/1971, No.49, Department of Agricultural Economics, Cornell University, Ithaca, N. Y.

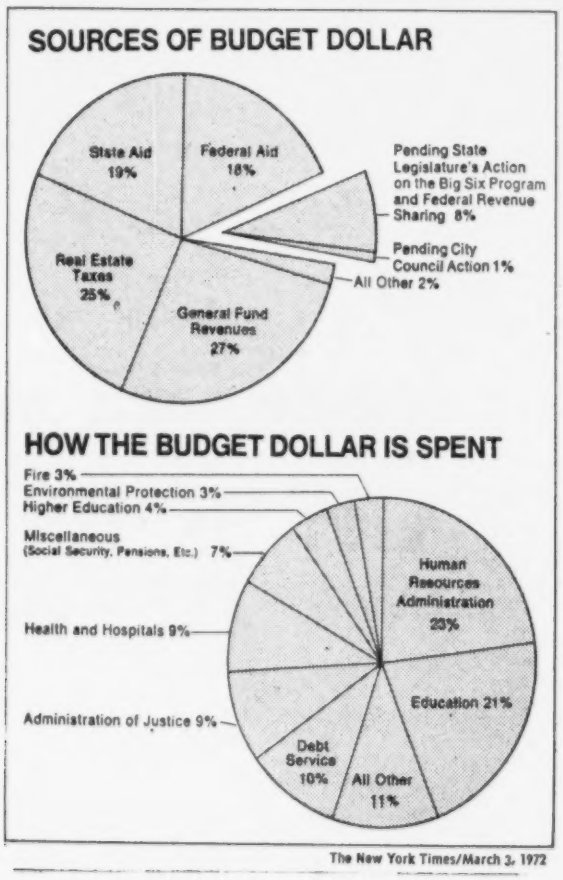
Per Cent Increase in Local Taxes Per Capita, by States
1960 to 1970



Source
Lutz, Edward A. and Plimpton, Lois, "Summary Statistical Comparisons of State and Local Taxes Among States of the United States 1960-1970, 12/1971, No. 49, Department of Agricultural Economics, Cornell University, Ithaca, N.Y.

PROPOSED BUDGET
CITY OF NEW YORK
1972 -73

Mayor Proposes a Budget of $10-Billion


SOURCES OF BUDGET DOLLAR
State Aid 19%
Federal Aid 18%
Pending State Legislature's Action on the Big Six Program and Federal Revenue Sharing 8%
Pending City Council Action 1%
All Other 2%
Real Estate Taxes 25%
General Fund Revenues 27%
HOW THE BUDGET DOLLAR IS SPENT
Fire 3%
Environmental Protection 3%
Higher Education 4%
Miscellaneous (Social Security, Pensions, Etc.) 7%
Health and Hospitals 9%
Administration of Justice 9%
Human Resources Administration 23%
Education 21%
Debt Service 10%
All Other 11%
The New York Times/March 3, 1972

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Proposed Budget Appropriations

Following is a summary of appropriations for agencies and other services in the city as listed in the expense budget Mayor Lindsay submitted to the City Council and the Board of Estimate, with figures in millions of dollars:

Agency: or Category.	'71-72 Modified Budget	'72-73 Executive Budget	% Change
Human Resources Administration	$2,157.7	$2,474.5	15
Education	1,940.5	2,163.1	11
Health Services	862.1	924.2	7
Police	652.4	720.3	10
Charitable institutions	388.1	425.3	10
City University	382.3	411.0	8
Environmental Protection	306.7	348.7	14
Fire	300.5	335.8	12
Courts	115.2	123.8	7
Municipal services	93.7	105.3	12
Transportation	89.4	96.9	8
Parks, Recreation and Cultural Affairs	77.3	84.9	10
Addiction services	64.4	49.0 (—)	24
Housing and Development	70.6	68.2 (—)	3
Correction	64.4	81.2	26
Libraries	45.7	48.0	5
Finance	35.8	36.0	1
Economic Development	9.1	9.2	1
All other agencies	208.7	189.2 (—)	9
Debt service	693.1	1,023.1	48
Miscellaneous	553.5	707.4	28
Total budget—all funds	$9,111.3	$10,425.1	14
Less: capital budget and special funds including services rendered to independent agencies such as the Housing Authority, Transit Authority, etc.	$ 452.1	$ 436.7	
Total Expense Budget	$8,659.2	$ 9,988.4	15

*Agency appropriations do not include fringe benefits, pensions, or debt service except that (1) separate pension systems are included in the appropriate agency totals and (2) debt service is included in the education and health services budgets.

TEST YOURSELF ON THE 1972-73 NEW YORK CITY BUDGET

Using the budget information presented above and other references, try to answer the following questions:

1. Which branch of government spends more money, the State of New York or the City of New York? Answer _____

2. The proposed 1972-73 budget for the City of New York called for expenditures of approximately $10 billion. (a) What percentage of this estimated amount would be supplied from sources outside the city? (b) How many dollars would be collected from outside sources?
   Answers (a) _____ percent (b) $_____

3. Do local governments located in New York State outside of New York City receive Federal and State aid? Answer _____

4. Twenty-three cents out of each New York City budget dollar is spent for human resources administration. (a) What is included under this heading? (b) Of a $10 billion budget, how many dollars will be appropriated for this budget item? Answers (a) _____ _____ _____ _____ (b) $_____

5. What is included under the budget heading called "debt service"? Answer _____ _____

6. The proposed New York City budget of $10 billion included 10 percent for debt service. How many dollars will be required for payment of interest on the New York City debt and/or repayment of principal on New York City bonds? Answer $_____

7. How much money does New York City appropriate for higher education? Answer $_____

8. What is the approximate per capita cost of city government for New York City residents? Answer $_____

9. If, on the average, a household consists of four persons, what is the cost of New York City government per household? Answer $_____

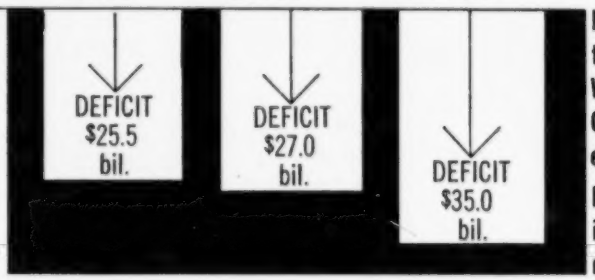
UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
WHAT IS FEDERAL REVENUE SHARING?		
. The Federal Government distributes money which it receives from Federal taxes and the sale of government bonds to state and local governments. . The purpose of Federal revenue sharing is to help pay part of the costs of state and local government.	. Ask students to find out how much money New York State estimated it would receive from Federal revenue sharing for 1972-73 and how much it anticipates receiving for 1973-74. . Why was New York State's anticipated share of Federal revenue cut over $200 million for the 1973-74 fiscal year? . What percentage of total expenditures contained in the New York State budget proposed by Governor Rockefeller will be	. State of New York, "Annual Budget Message 1973-74," pp. M7-8. (Contact your State assemblyman or senator for a copy.) . "Revised Revenue Sharing Formula," The Wall Street Journal, December 11, 1972, p. 13 . "The United States Treasury mailed out more than $2.6 billion in checks to about 38,000 state and local governments, with some money held back for local units of governments still to be found. The checks

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
	derived from anticipated Federal revenue sharing for the 1973-74 fiscal period?	mailed were payments for the first half of calendar 1972. Identical payments for the second half of 1972 will be sent to the states and localities in January. The revenue-sharing program has a five-year authorization from Congress." The Wall Street Journal, December 11, 1972
DOES THE FEDERAL GOVERNMENT HAVE SURPLUS FUNDS TO SHARE WITH STATE AND LOCAL GOVERNMENTS?		
. Not at present. Federal revenue sharing increases Federal debt. . The Federal Government frequently operates at a deficit. . When the Federal Government operates at a deficit, it sells bonds to get the money to pay its bills. . Selling bonds increases the Federal debt.	. Reproduce the graph "The Government's Worsening Budget Picture." Distribute to students. Ask students: Where will the government get the money to pay its bills if it spends more than it receives in taxes? (U.S. Treasury must sell bonds.) How will this affect the Federal debt?	. U.S. News and World Report, "Drive to Cut Red Ink in the '73 Budget," August 21, 1972 . If the Federal Government is currently operating at a deficit, it must borrow the money (sell bonds) to finance Federal revenue sharing programs. . The Federal debt now amounts to about $450 billion.

THE GOVERNMENT'S WORSENING BUDGET PICTURE

Estimates for the year that started July 1–

	Last January (official)	June 5 (official)	Latest (unofficial)
REVENUES	$220.8 bil.	$223.0 bil.	$221.0 bil.
OUTLAYS	$246.3 bil.	$250.0 bil.	$256.0 bil.



Source: January estimate, Office of Management and Budget; latest estimate, USN&WR Economic Unit

New spending proposals submitted in recent months by the White House – plus action by Congress – are pushing up federal outlays faster than expected.

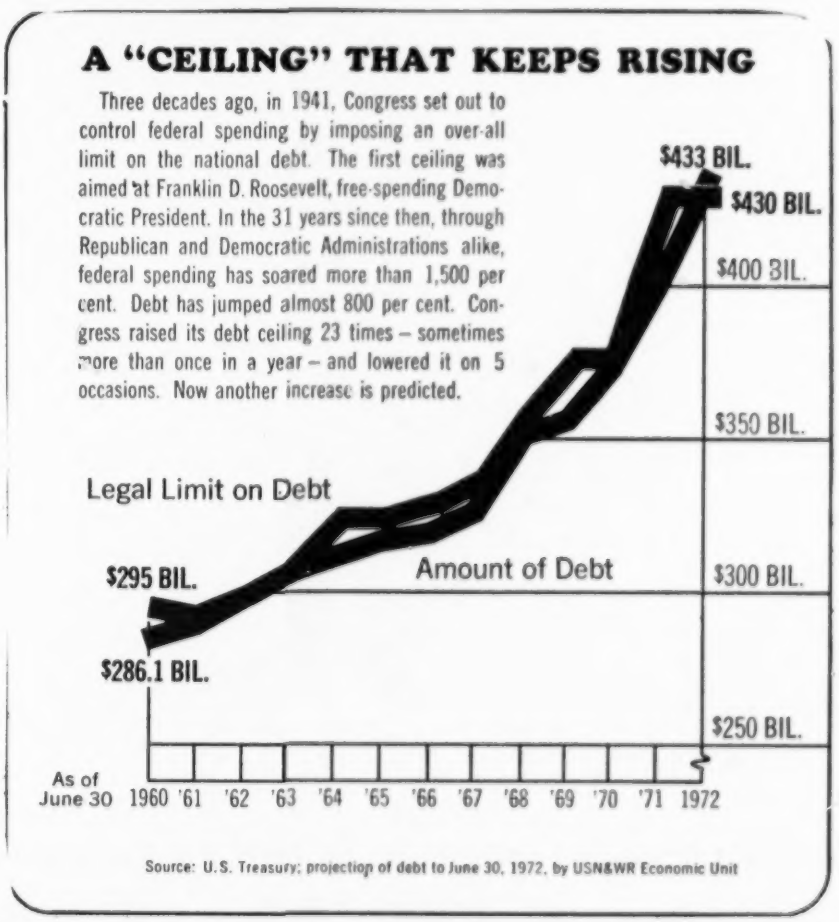
Result: More red ink–and growing alarm over the danger of rekindled inflation.

"Reprinted from 'U. S. News & World Report'. Copyright 1972 U. S. News & World Report, Inc."

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
ARE THERE LIMITS TO GOVERNMENT SPENDING?		
. Yes. If government spending exceeds income, it must borrow money to make up the difference (issue bonds, notes, etc.). . If a government can't pay the interest or principal on its bonds or notes, investors may refuse to buy any more. Then, spending must be cut or taxes must be increased. . Government spending is limited to the amount of money the government can raise from taxes and/or by how much it can borrow.	. Question: Are individuals limited in the amount they can spend? (Can't spend beyond their income, their borrowing capacity, or the amount of money they receive in gifts.) . Problem: A town supervisor proposes a budget which lists anticipated expenditures for the coming year of $250,000. Estimated income from all sources is $240,000. What alternatives are available to the town board? (Answer: Cut expenditures by $10,000;	. There are limits on government spending just as there are limits on the amount an individual can spend. . School districts have been forced to close schools because they did not have enough cash to pay teachers' salaries, operating expenses, etc. . The Federal Government sometimes deliberately spends more than it receives in taxes or cuts taxes to stimulate economic activity.

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
	appropriate $10,000 from surplus – if available; or, in some instances, it may issue short-term notes or bonds to make up the difference.)	Or, if the economy is overheated, it may decrease spending or increase taxes. . Write to Citizens Public Expenditure Survey, 100 State Street, Albany, N.Y. 12207, for a copy of the booklet entitled "Organization of Local and County Taxpayer Groups."

NATIONAL DEBT BUMPING AGAINST THE CEILING AGAIN


A "CEILING" THAT KEEPS RISING
Three decades ago, in 1941, Congress set out to control federal spending by imposing an over-all limit on the national debt. The first ceiling was aimed at Franklin D. Roosevelt, free-spending Democratic President. In the 31 years since then, through Republican and Democratic Administrations alike, federal spending has soared more than 1,500 per cent. Debt has jumped almost 800 per cent. Congress raised its debt ceiling 23 times – sometimes more than once in a year – and lowered it on 5 occasions. Now another increase is predicted.
$433 BIL.
$430 BIL.
$400 BIL.
$350 BIL.
Legal Limit on Debt
$295 BIL.
Amount of Debt
$300 BIL.
$286.1 BIL.
$250 BIL.
As of June 30
1960 '61 '62 '63 '64 '65 '66 '67 '68 '69 '70 '71 1972
Source: U.S. Treasury; projection of debt to June 30, 1972, by USN&WR Economic Unit

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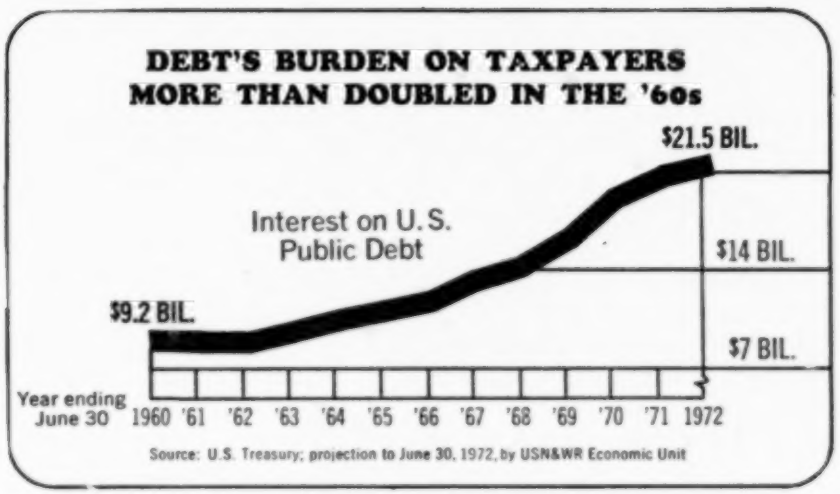
DEBT'S BURDEN ON TAXPAYERS
MORE THAN DOUBLED IN THE '60s
$21.5 BIL.
Interest on U.S.
Public Debt
$14 BIL.
$9.2 BIL.
$7 BIL.
Year ending
June 30
1960 '61 '62 '63 '64 '65 '66 '67 '68 '69 '70 '71 1972
Source: U.S. Treasury; projection to June 30, 1972, by USN&WR Economic Unit

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"The art of taxation consists of so plucking the goose as to obtain the largest amount of feathers with the least possible hissing."

TAXES

- TYPES
- USES
- CHARACTERISTICS

Taxes — types, uses, characteristics

A wide variety of taxes are used to pay for the costs of government and education.

Students may wonder why we have so many different types of taxes. At least two reasons may be given: (1) it is easier to collect smaller amounts of taxes on a variety of tax bases than to collect one large amount of tax on a single base, and (2) taxes were developed historically to recognize or take advantage of certain conditions. Property taxes were used extensively during the early history of the United States because property ownership was considered a good measure of wealth (ability to pay). Later income taxes were introduced because it was thought that people who earn more should pay more. User taxes, such as sales taxes, cigarette taxes, and gasoline taxes, are thought to be justified because they are a direct charge on the one who consumes these products (sometimes called a "sin" tax) and because they are easy to collect.

THE BIG DEBATE

Tax Reform

Demands for tax reform again are in the air. The rich may feel that progressive income taxes kill incentives. This may very well be true. Poor and average income groups and some tax authorities are against regressive sales and user taxes. Some legislators have attacked the special tax allowances provided in the Internal Revenue Code and other tax laws that favor homeowners, oil producers, manufacturers, etc.

All of these groups may have legitimate complaints. But, no one has yet been able to devise a tax system that will satisfy everyone.

The most we can hope for is that citizens will gain an understanding of the impact of various types of taxes. It is then up to them to get their representatives in government to develop what they believe to be equitable and effective tax systems.

"Of all debts, men are least willing to pay taxes; they think they get their money's worth, except for these." Emerson

TAXES: Paid by Residents of New York State

Type of Tax	Level of Government or Programs	Characteristics*
	-o-	-o-
User taxes:		
Sales and use	State; local; education	Regressive
Motor fuel	Federal; state	Regressive
Cigarettes	Federal; state; city	Regressive
Motor vehicle fees	State	Regressive
Alcoholic beverages	Federal; state	Regressive
Alcoholic beverage license	State	Regressive
Highway use	Federal; state	Proportional/ intermediate
Personal Income	Federal, state, city	Progressive
Corporation Income	Federal, state, city	Proportional
Value-added (VAT) (form of sales tax)	Not used by Federal or New York State governments	Regressive
Real Property (Real Estate)	Local; education	Somewhat regressive as imposed.
Social Security	Federal	Regressive. But this is modified due to amounts paid out to beneficiaries of the program.

(Revenues from other activities include the parimutuel tax, estate and gift taxes, the lottery, real estate transfer tax, and miscellaneous receipts.)

*Tax Characteristics Explained

1. Regressive tax: a tax that takes a smaller percentage of income from higher income earners than lower income earners.
2. Progressive tax: a tax that takes a higher percentage of income from higher income earners than lower income earners.
3. Proportional (intermediate) tax: a tax that takes the same percentage of income from all taxpayers.

NEWS ITEMS

U.S. NEWS & WORLD REPORT, January 24, 1972.

"While the public debt has shot upward at a spectacular rate in recent years, it actually is not at any record level in relation to the country's annual output of goods and services, or gross national product.

"Back in 1954, for example, the debt was equal to about 75 percent of GNP. By 1970, it had dropped to less than 39 percent.

"This year, the pile of government liabilities is growing to about 39.5 percent of national output. It is not expected to exceed that in the year starting July 1 (1973).

"The interest cost of the debt, however, is up somewhat in relation to total goods and services. At about 1.7 percent of GNP in the years before 1969, interest on the debt rose to 2 percent in 1970 and 2.1 percent in 1971.

"Outlook this year is for a slight drop, back to 2 percent of GNP."

Excerpts from a Time magazine article, "Is The U.S. Going Broke?", March 13, 1972:

"The budget squeeze will probably become even worse later in the 1970s. Lawrence S. Ritter, professor of finance at New York University, calculates that during the rest of the decade, public spending will have to average $46 billion *a year* above 1970 levels for just four purposes: rebuilding mass-transit systems, cleaning up pollution, upgrading law enforcement and improving education.

"Though almost every American feels oppressed by taxes, the U.S. is in fact one of the most lightly taxed of all the industrial nations. Total U.S. tax collections equal only 31% of the country's gross national product v. 33% in Germany, 37% in Canada, 41% in Sweden and 43% in Britain. By no coincidence, most of these nations enjoy higher-quality health care, recreational facilities, mass transit and many other services than the U.S. does."

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$1,000,000,000,000 a question of time

This article appeared in the September-October 1972 issue of the New York State Taxpayer.

Government expenditures are growing so rapidly that they might reach a trillion dollars by 1982, says Jack S. Parker, vice chairman of the board and executive officer of the General Electric Company.

Writing in the July issue of the Tax Foundation's monthly newsletter, Tax Review, Parker stated that unless such spending can be brought under control, "we can expect increasingly serious periods of recession, unemployment, inflation, economic controls, and finally social upheavals that will make our present situation seem like a Golden Age."

Mr. Parker sees the solution of these problems in making government services more efficient and productive and accelerating economic growth.

Parker forecast that ten years from now total government expenditures will rise to $912 billion — largely on the basis of presently built-in obligations — and represent 37 per cent of a $2.5 trillion gross national product. Some elements of the economy, notably defense, he said, will grow more slowly than others but the expectation is for government spending to grow at the rate of 9.4 per cent a year compounded. "This is considered a relatively conservative forecast," he said.

Question Is: When?

If the nation moves farther along with national health insurance, guaranteed income, and revenue sharing programs, the GE executive said, government expenditures in 1982 could reach the trillion dollar figure, or 41 per cent of the gross national product. "Apparently the only question is whether government spending will reach the trillion dollar mark by 1982 or 1984."

GE's Jack S. Parker

Parker also noted that the tax burden is growing much faster than the economy that supports it; and that at the current rate of increase, total government expenditures could total half the nation's total output well before the century is out.

"If we are really going to turn the situation around," Parker said, "and keep the government sector from overwhelming the private sector, perhaps the most important step is that we utilize all parts of our economy, including private enterprise, to provide needed community services."

Suggested Procedure for Using This Article

1. Distribute a copy of this article to each student.
2. Ask students to write the number used in the headline in words.
3. To give students some conception of a trillion dollars, ask them questions such as, "How many $5,000 cars will 1 trillion dollars buy?
4. What does Mr. Parker predict will happen if the amount of government spending continues to increase?
5. What solutions does he offer to decrease government spending?

SALES AND USE TAXES

BACKGROUND INFORMATION FOR TEACHERS

Sales and Use Taxes

Almost all consumers pay sales or use taxes in New York State. But relatively few people realize how much of their annual income is spent on these taxes. The sales tax on small purchases seems inconsequential. However, when added up at the end of the year, the total tax paid is substantial.

For example, look at the chart below and see what the sales taxes could amount to for a newly married couple during their first year of marriage (husband and wife both working).

Hypothetical Case

ITEM PURCHASED	RETAIL PRICE (Tax Excluded)	Sales Tax*
Footwear (husband)	$ 40.00	$ 2.80
Footwear (wife)	50.00	3.50
Record player	70.00	4.90
Clothing (husband)	80.00	5.60
Clothing (wife)	200.00	14.00
Refrigerator	300.00	21.00
Color TV	360.00	25.20
Living room suite	500.00	35.00
Snowmobile	1,000.00	70.00
Car	2,400.00	168.00
Misc. small purchases	900.00	63.00
	Total	$413.00

*Assuming a 7 percent sales tax

Knowledgeable consumers should be aware of the yearly cost of this tax as well as other taxes which they are paying.

Incidentally, the above illustration can be used to introduce the topic of sales taxes to the class. A copy of this chart with the sales tax omitted can be given to each student. Let the students calculate the tax on each item and find the total sales tax. Then have them calculate the percentage of total annual income spent for sales taxes. Several income levels should be used. For example:

	ANNUAL INCOME	SALES TAX	PERCENT OF TOTAL INCOME
(A)	$ 8.260.00	$413.00	5 percent
(B)	16,520.00	413.00	2½ percent

NOTE: The above hypothetical case illustrates the regressive characteristic of sales taxes. B's income is twice as much as A's. But, A's tax rate is twice as much as B's. (See page 53 for a further discussion of regressive taxes.)

However, this case does not tell the whole story. It may be used for teaching purposes to help students understand what is meant by a regressive tax.

Typical sales tax figures may be obtained from the instructions which accompany Federal income tax form 1040 — as reproduced below. In using this table special attention should be paid to the first paragraph and to footnote 4.

1971 Optional State Sales Tax Tables

If you itemize your deductions, you may use these tables to determine the general sales tax to enter on line 13, Schedule A. If you are able to establish that you paid an amount larger than that shown, you are entitled to deduct the larger amount. The sales tax paid on the purchase of an automobile may be added to the table amount except in Vermont, or in West Virginia if titled after March 31, 1971.

If your income was more than $19,999 but less than $100,000, compute your deduction as follows:

Step 1—For the first $19,999, find the amount for your family size in the table for your State.

Step 2—For each $1,000 or fraction thereof of income over $19,999, but less than $50,000, add 2 percent of the amount you determined in Step 1, above.

Step 3—For each $1,000 or fraction thereof of income over $49,999, but less than $100,000, add 1 percent of the amount you determined in Step 1, above.

If your income was $100,000 or more, deduct 210 percent of the amount determined in Step 1, above.

Income [1]	Mississippi						Missouri [2]						Nebraska [3]						Nevada [3]					
	Family size (persons)					Over	Family size (persons)					Over	Family size (persons)					Over	Family size (persons)					Over
	1	2	3&4	5	5		1	2	3	4	5	5	1	2	3	4	5	5	1	2	3	4	5	5
Under $3,000	$70	$83	$100	$109	$109		$37	$48	$52	$59	$59	$63	$30	$39	$43	$49	$50	$53	$33	$45	$47	$57	$57	$58
$3,000–$3,999	86	104	124	135	135		45	58	65	72	74	79	37	48	54	60	62	66	41	54	58	68	69	72
$4,000–$4,999	100	123	144	159	156		53	68	76	83	87	93	43	56	63	69	73	78	48	63	68	78	80	84
$5,000–$5,999	113	141	163	181	182		59	77	86	94	99	106	49	63	71	78	83	89	54	71	77	86	91	95
$6,000–$6,999	125	158	181	201	204		65	85	95	103	111	118	54	70	79	86	92	99	60	78	86	94	101	106
$7,000–$7,999	136	173	198	220	225		71	93	104	112	122	130	59	76	87	94	101	109	65	85	94	102	110	116
$8,000–$8,999	147	188	214	238	246		77	100	113	121	132	141	64	82	94	101	109	118	70	92	102	109	119	126
$9,000–$9,999	157	203	230	256	266		83	107	121	129	142	152	68	88	101	108	117	127	75	98	109	115	128	135
$10,000–$10,999	167	217	244	273	285		88	114	129	137	151	162	72	94	108	114	125	136	80	104	116	121	136	144
$11,000–$11,999	176	230	258	289	304		93	121	137	145	160	172	76	99	114	120	133	144	85	110	123	127	144	152
$12,000–$12,999	185	243	272	305	322		98	127	144	152	169	182	80	104	120	126	140	152	89	116	130	133	152	160
$13,000–$13,999	194	256	285	320	340		103	133	151	159	178	191	84	109	126	132	147	160	93	121	136	139	159	168
$14,000–$14,999	202	269	298	335	358		107	139	158	166	187	200	88	114	132	138	154	168	97	126	142	144	166	176
$15,000–$15,999	210	281	311	350	375		111	145	165	173	195	209	92	119	138	144	161	175	101	131	148	149	173	184
$16,000–$16,999	218	293	323	364	392		115	151	172	179	203	218	96	124	143	149	168	182	105	136	154	154	180	191
$17,000–$17,999	226	305	335	378	408		119	156	179	185	211	227	99	128	148	154	174	189	109	141	160	160	187	198
$18,000–$18,999	234	316	347	392	424		123	161	185	191	219	235	102	132	153	159	180	196	113	146	166	166	194	205
$19,000–$19,999	241	327	359	405	440		127	166	191	197	226	243	105	136	158	164	186	203	117	150	172	172	200	212

Income [1]	New Jersey		New Mexico [2]						New York [4]						North Carolina [5]						North Dakota						Ohio [6]						Oklahoma [7]					
	Family size (persons)		Family size (persons)					Over	Family size (persons)					Over	Family size (persons)					Over	Family size (persons)					Over	Family size (persons)					Over	Family size (persons)					Over
	4 or under	5 and over	1	2	3	4	5	5	1&2	3	4	5	5		1	2	3&4	5	5		1	2	3&4	5	5		1&2	3&4	5	5		1	2	3&4	5	5	
Under $3,000	$26	$34	$58	$77	$78	$92	$92	$92	$33	$39	$47	$50	$50		$35	$40	$50	$54	$55		$41	$50	$57	$61	$63		$29	$35	$36	$36		$25	$29	$35	$38	$38	
$3,000–$3,999	35	44	71	94	96	111	111	113	44	51	59	63	63		43	51	62	68	69		51	62	71	77	81		38	45	47	47		31	37	43	47	48	
$4,000–$4,999	44	54	83	109	113	128	128	134	53	62	70	75	75		50	60	73	80	82		60	73	84	92	96		46	55	58	58		36	44	51	56	58	
$5,000–$5,999	52	63	94	123	129	143	146	153	62	72	80	86	86		57	69	82	92	94		69	84	96	106	111		54	64	68	69		41	50	58	64	66	
$6,000–$6,999	60	71	104	135	144	157	163	171	71	82	90	97	97		63	77	91	102	106		77	94	108	119	125		62	73	78	80		45	56	64	72	74	
$7,000–$7,999	68	80	113	147	158	170	179	188	80	91	99	107	107		69	85	100	112	116		85	103	119	131	138		70	82	87	90		49	61	70	79	82	
$8,000–$8,999	76	88	122	158	171	183	194	204	89	100	108	117	117		74	93	108	122	126		92	112	129	143	151		78	90	96	100		53	66	76	86	89	
$9,000–$9,999	84	96	131	169	184	195	209	220	97	109	116	126	127		79	100	116	131	136		99	121	139	154	164		85	98	105	110		57	71	82	93	96	
$10,000–$10,999	92	103	139	179	196	206	223	235	105	118	124	135	137		84	107	123	140	146		106	129	149	165	176		92	106	114	119		60	76	87	99	103	
$11,000–$11,999	100	111	147	189	208	217	237	250	113	127	132	144	147		89	114	131	149	156		112	137	158	176	188		99	114	123	128		64	81	92	105	110	
$12,000–$12,999	107	118	155	199	220	227	250	264	121	135	140	152	157		94	121	138	158	165		118	145	167	186	199		106	121	132	137		68	86	97	111	117	
$13,000–$13,999	115	125	162	208	231	237	263	278	129	143	147	160	167		98	128	145	166	174		124	152	176	196	210		113	128	141	146		71	91	102	117	123	
$14,000–$14,999	122	132	169	217	242	247	276	291	136	151	154	168	177		102	134	152	174	183		130	159	184	206	221		120	135	149	155		74	96	107	123	129	
$15,000–$15,999	130	139	176	226	253	256	289	304	143	159	161	176	186		106	140	158	182	192		136	166	192	216	232		127	142	157	164		77	100	112	129	135	
$16,000–$16,999	137	146	183	235	263	265	301	317	150	167	168	184	195		110	146	164	190	200		142	173	200	226	243		133	149	165	173		80	104	117	134	141	
$17,000–$17,999	144	153	190	243	273	274	313	330	157	174	175	192	204		114	152	170	197	208		148	180	208	235	253		139	156	173	182		83	108	121	139	147	
$18,000–$18,999	151	160	196	251	283	283	324	342	164	181	182	199	213		118	158	176	204	216		153	187	216	244	263		145	163	181	191		86	112	125	144	153	
$19,000–$19,999	159	166	202	259	293	293	335	354	171	188	188	206	222		122	164	181	211	224		158	194	224	253	273		151	170	189	199		88	116	129	149	159	

[1] Total of adjusted gross income (line 18, Form 1040) and nontaxable receipts such as social security, veterans', and railroad retirement benefits, and workmen's compensation.

[2] Local sales taxes are not included. Add an amount based on the ratio between the local and State sales tax rates considering the number of months the taxes have been in effect.

[3] One percent local sales tax is included. If the optional ½ cent County-City Relief Tax is paid, add 1 percent for each month the tax is in effect.

[4] Local sales taxes are not included. If paid all year add (a) 28 percent if the local tax rate is 1 percent, (b) 56 percent if the local tax rate is 2 percent, (c) 84 percent if the local tax rate is 3 percent. Otherwise, add a proportionate amount.

[5] Local sales taxes are not included. Add 33 percent if paid all year. Otherwise, add a proportionate amount.

[6] Local sales taxes of ½ cent are not included. Add 1 percent of the table amount for each month the county tax is in effect.

[7] Local sales taxes are included. Taxpayers not paying local sales taxes should use 90 percent of the amount allowed.

[8] The sales tax paid on an automobile purchased in Vermont and sales tax paid on an automobile titled in West Virginia after March 31, 1971, are not deductible because these taxes are imposed at a higher rate than the general sales tax rate.

[9] Local sales taxes are included.

An illustration of the combined effect of the 4 percent New York State sales taxes and income taxes is given below. From this illustration the student should get a more accurate picture of the total impact of these two forms of taxation on taxpayers in various income brackets. However, taxpayers pay other taxes. A good study would be to take all forms of taxes, such as sales taxes, income taxes paid to all levels of government, property taxes, excise taxes, etc., and find what percent of gross income various taxpayers pay.

EXAMPLES OF REGRESSIVE AND PROGRESSIVE TAXES*

Taxes and Percent of Income	Annual Income			
	$5,000	$10,000	$15,000	$25,000
Sales Tax, 4 percent rate (see preceding page)	$ 80	$ 124	$ 161	$ 207
Percent of Income	1.6 percent	1.2 percent	1.1 percent	.8 percent
Sales Tax and Personal Income Tax Combined	$ 80	$ 334	$ 634	$ 1,480
Percent of Income	1.6 percent	3.3 percent	4.2 percent	5.9 percent

* Note that the taxpayer whose income is $5,000 pays 1.6 percent of his income in sales and income taxes; the taxpayer who earns $25,000 pays 5.9 percent. The combined tax is progressive. The taxpayer with the $25,000 income earns five times as much as the one with $5,000 income. After paying sales and income taxes, the taxpayer with the $5,000 income has $4,920 left. The taxpayer who earns $25,000 has $23,520 left or 4.7 times as much as the person with the lower income.

Included in the sales tax material which follows are charts showing the amount of sales tax which retailers must charge for purchases up to $10. These charts can be extended to cover larger amounts, or the sales tax for purchases in excess of $10 can be determined by multiplying the amount of the sale by the applicable sales tax rate and rounding the result to the nearest whole cent. If the applicable sales tax rate in a particular county is 4 percent and the sale amounts to $127.44, the sales tax would be $5.10 ($127.44 x .04).

Much informative literature regarding the sales tax laws of New York is obtainable free by writing to State of New York, Department of Taxation and Finance, Sales Tax Bureau, State Campus, Albany, N.Y. 12227. However, a word of caution is in order. Because of changes in the law, these publications may be out of date. If you're not certain about a particular law, write to the Sales Tax Bureau at the above address for the latest law or contact your local Sales Tax Bureau. This especially is true for residents of New York City, inasmuch as the New York State Legislature has passed enabling legislation which permits changes in the sales tax for the City of New York. In some cases the City of New York has not passed legislation to implement these new provisions of the State law. Therefore, teachers in New York City should be especially alert to changes which may make certain services which now are exempt, such as dry cleaning and laundering services, taxable under the new law.

As a result of the study of this module, class discussion, and independent research, students should demonstrate

- a clear understanding of the meaning of the terms "sales tax" and "use tax"
- ability to differentiate between personal and real property and tangible and intangible property
- a knowledge of the distinctions between a producer, wholesaler, jobber, distributor, dealer, and ultimate (final) consumer, and how each fits into the tax picture
- an understanding of the system used by the State to collect and distribute sales taxes
- a knowledge of the sales tax law which makes collection of sales taxes by retailers mandatory
- a knowledge of the goods and services to which sales and use taxes are applicable and those that are exempt from the tax
- an understanding of different levels of government that may levy sales taxes
- a knowledge of the different sales tax rates charged in various counties within the State
- ability to use sales tax charts and to calculate sales or use taxes on sales below and above $10
- ability to determine net sales (excluding the sales tax) if given the sales tax rate and total sales including the sales tax
- ability to use adding and calculating machines to solve sales tax problems
- ability to differentiate between a regressive, a proportional, and a progressive tax
- ability to measure the financial impact on the consumer of the sales tax in terms of annual income
- an understanding of the needs of the government to levy taxes which are "acceptable" to taxpayers as part of a comprehensive system of taxation to raise revenue to carry out governmental programs
- knowledge of the total amount of taxes which must be paid by the consumer in a particular county on a gallon of gasoline, a pack of cigarettes, a motor scooter, a car, and other commodities and services, compared with similar taxes in other counties
- a knowledge of what Stage agency to contact to obtain accurate information regarding sales taxes
- ability to interpret simple graphs
- an understanding of how tax laws develop and how consumers can influence such legislation
- the difference between excise taxes and sales taxes
- the difference between a sales tax and a value-added tax (VAT)

In studying sales taxes, students frequently should be given the opportunity to find the sales tax by using the sales tax charts. Also, they should learn how to calculate sales taxes using the applicable sales tax rate. Whenever feasible, students should use adding machines (continuous multiplication) or calculating machines to verify or compute answers. Many students get part-time or full-time jobs where they must know how to find the sales tax on a retail sale. The consumer education teacher is in a good position to provide this bit of vocational information.

" I LIKE TO PAY TAXES. WITH THEM I BUY CIVILIZATION."

Oliver Wendell Holmes

SALES AND USE TAXES

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
WHAT IS A SALES TAX?		
• A sales tax is a tax on the consumption or use of tangible, personal property, and services. The tax is based on the retail money value of the commodity or service.	. Ask pupils whether sales taxes are much of a problem for them. Do they mind the 1¢ tax on soft drinks? or a 2¢ tax on a hot dog? or a 6 or 7 percent tax on records, musical instruments, or sporting goods? How much do they pay in State sales tax on a gallon of gasoline? How much does the sales tax amount to on the family purchases for a year? (Note: The tables in the Federal income tax instruction sheet for form 1040 list average sales taxes that can be included as an itemized deduction for various income levels.) Using the amount of sales tax appropriate for their family income, have pupils list the items that they would like to have that could be purchased for the amount of the tax.	• Fisk and Snapp, "Applied Business Law," Ninth Edition, South-Western, New Rochelle, N.Y. 1966. Part 11-B . See page 52 of this publication for sales taxes which may be deducted by taxpayers who elect to itemize deductions. To the figures given, the taxpayer may add sales taxes paid on automobiles and the local sales tax.
	. Discuss the following questions with the class: - What is the meaning of the term "tangible, personal property"? What are some intangible things? What are some tangible things? - Which items in the classroom are personal property? Which are real property?	• Tangible property includes all things capable of physical possession. • Personal property is portable property, such as desks, chairs, cars, radios, etc., which are not permanently attached to real property.

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
	- Does the sales tax apply to sales of stocks or bonds? (Securities are intangible property. Therefore, they are not taxable.)	• A stock certificate is not tangible property; it represents merely "an interest in some physical property." • Real property consists of land, buildings, and other things permanently attached to the land.
• Merchandise purchased for resale is not taxable. Generally, the sales tax is charged to the final consumer.	• What is the difference between a wholesaler, a dealer, and an ultimate consumer? Which of these three is responsible for collecting sales taxes and remitting the amount collected to the Sales Tax Bureau? (Answer. Generally, the dealer sells to the ultimate consumer and is liable for collecting the tax. But if a wholesaler sells to the consumer, he must collect the tax.	• Anderson and Kumpff, "Business Law," South-Western, New Rochelle, N.Y., 1967. Chapter 54 • State of New York, Department of Taxation and Finance, "New York State and Local Sales Tax Information, Booklet No. 1" (Rev. 12/67) State Campus, Albany, New York 12227
WHAT IS A USE TAX?		
• A use tax is a tax to compensate for the difference between the taxes on an out-of-state and an in-state purchase. • A resident of New York State who purchases a commodity out-of-state which would be subject to a sales tax if purchased in New York State must pay a compensating use tax in New York.	• Discuss the following case: Felix Gonzalez, a New York resident, purchased a car in Vermont for use in New York. Is this purchase taxable in New York? (Answer. Yes. Gonzalez must pay a compensating use tax on his purchase. The rate is the same as the rate applicable in the county where he resides.) • Vary the facts in the above case so that, for	• State of New York, Department of Taxation and Finance, "New York State and Local Sales Tax Information, Booklet No. 2" (Rev. 9/7) State Campus, Albany, New York 12227

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
	example, a resident of Queens County, where the sales tax is 7 percent, purchases a car in Schenectady County, where the rate is 4 percent. (Answer. The Queens County resident would have to pay the 7 percent New York City sales tax.)	
WHO COLLECTS THE SALES TAX FROM THE CONSUMER?		
• The retail vendor collects the tax. He is legally obligated to turn it over to the State at specified intervals.	• Discuss some of the problems which may arise as a result of making the dealer responsible for collecting the sales tax, such as - The dealer may have to invest his own money to purchase a new cash register with additional registers to record the tax. - The work of collecting and recording sales tax involves extra man-hours for which employees must be paid. - Some dishonest or careless dealers may spend sales tax money collected for their personal needs instead of remitting it. - The dealer may not charge the tax to some customers.	

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
DOES THE STATE OF NEW YORK LOSE MONEY BECAUSE VENDORS FAIL TO REMIT SALES TAXES?		
• Tax delinquencies in New York State run into millions of dollars. • Most delinquent taxpayers are small businessmen such as restaurant, service station, and neighborhood grocery store owners.	• Discuss the following questions: - What is one method that a business firm may use to be sure it can pay its sales tax obligations to the State? (Answer. Open a separate bank account and deposit sales taxes collected to this account.) What other suggestions do pupils have? - Should dealers who collect sales taxes for the government receive compensation for the expense they incur in collecting this tax? . Have students suggest better ways to raise State revenue than the sales tax.	• "Metroland Sales Tax Delinquents Mounting," Albany Knickerbocker News-Union Star, July 21, 1971 • During 1970 alone, the State issued more than 65,000 tax warrants to collect delinquent sales taxes from dealers. During the same year, the State closed 392 businesses for failure to pay their sales tax obligations.
ARE ALL RETAIL PURCHASES OF TANGIBLE, PERSONAL PROPERTY SUBJECT TO THE SALES TAX?		
• In general, food, beverages, (except alcoholic beverages) dietary food, drugs,	• Teachers should prepare a list of tangible, personal property including both items subject to the	• Write to Sales Tax Bureau, Department of Taxation and Finance, State

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
and medicines are not taxable. • Candy, fruit juices which contain less than 70 percent natural fruit juice, soft drinks, sodas, and alcoholic beverages are taxable. • Medical equipment (not designed for use by a particular individual, e.g., eyeglasses, artificial limbs, and hearing aids) is taxable. • Toilet articles and cosmetics are taxable. • Newspapers and periodicals are not taxable, but books are taxable.	sales tax and items not subject to the tax. As a pretest have students check which items they think should be taxable and which not. Use the results of the pretest to explain the general rationale of the sales tax, i.e., some necessaries, such as food are not taxable. • Elicit comments on the following statements: - The sales tax is a convenient and efficient method of collecting taxes from persons who have the money to pay for goods and services. - The sales tax is a regressive tax designed to "soak the poor." - A progressive income tax is a fairer tax than a sales tax because it places the burden of taxation on people with big incomes. • Ask students to express their opinions about the fairness of charging a sales tax on items such as lipstick, baby oil, wheel chairs, perfume, telephone bills, fuel oil, gas, and electricity for heating and lighting the home. (All of the above items are taxable either as tangible, personal property or as items subject to the consumer's utility tax.)	Campus, Albany, New York 12227, for a copy of Booklet St-375 (7/65) which lists exempt and taxable foods, beverages, and drugs. Also, request Booklet No. 1, "New York State and Local Sales Tax Information" from this source.

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
	• Have students prepare a wall chart showing taxable and nontaxable, (exempt) tangible, personal property.	
ARE ALL SERVICES PROVIDED TO CONSUMERS TAXABLE?		
• Doctors' fees and hospital charges are not taxable.	• Have students prepare a chart showing taxable and nontaxable services.	• Sales Tax Bureau Bulletins, No. 1 and No. 2
• Rentals of homes are not taxable, but hotel and motel rooms costing more than $2 per day are taxable. However, if the occupancy of the hotel or motel room is for 90 days or more, the rental is not taxable.	. Refer to Mount Vernon Sales and Use Tax, effective June 1, 1972. (page 62)	• Sales Tax Bureau ST-151.4 (4/72)
• Laundry, dry cleaning, tailoring, weaving, pressing, shoe repairing, and shoe shining are not taxable. (But see note opposite.)	• The New York State Legislature has passed a bill which permits the City of New York to levy a sales tax on laundry, dry cleaning services, etc. The tax would be applicable only in the city (5 counties) -- not the rest of the State. Is this a "fair" tax? Is it a regressive or a progressive tax?	• "Lindsay Despairs of More State Aid. Mr. Lindsay said that he sought no new city taxes beyond the $141-million in nuisance taxes authorized last year by the Legislature but not yet enacted by the City Council. He rejected proposals by the City Council leadership for increases in the income tax and the stock-transfer tax. City Council leaders responded to the Mayor's statement by reiterating their objection to (continued on page 66)
• Repairs (including parts and labor) of automobiles, radio and TV sets, and other appliances are taxable.	. Ask students to determine whether New York City enacted the sales taxes on laundry, dry cleaning, etc. (Not enacted as of February 1973.)	

ST-151.1 (4/72)

State of New York - Department of Taxation and Finance - Sales Tax Bureau
State Campus - Albany, New York 12227

SALES AND USE TAX CHANGES EFFECTIVE JUNE 1, 1972

Mount Vernon, New York

ALL VENDORS: Effective June 1, 1972, the following local jurisdiction has enacted laws which may affect your tax collections and payments. If you conduct a business or deliver to customers in this locality, the change should be anticipated.

LOCALITY ENACTING A NEW TAX

The City of Mount Vernon on February 1972 enacted a 1% local sales and use tax. The combined State and local tax rate will be 5% within the City of Mount Vernon and applies to all of the taxes authorized by law. The sales and use tax in effect in the remainder of Westchester County, except the City of Yonkers where the rate is 7%, remains at 4%.

Where delivery or transfer of possession is made on or after June 1, 1972, the new combined rate shown above applies except in the following instances:

Lay-away sales

The old rate would apply only if (1) a written agreement was made prior to February 1, 1972, (2) the item sold was segregated from other similar property in the possession of the vendor prior to February 1, 1972, and (3) the purchaser has paid at least 10% of the sales price before June 1, 1972.

Pre-existing lump sum or unit price construction contracts

If such a contract was irrevocably entered into prior to the date the law imposing the local sales and use tax was enacted or such contract resulted from the acceptance by a governmental agency of a bid accompanied by a bond or other performance guaranty which was irrevocably submitted prior to February 23, 1972, the contractor will be allowed credit or refund of the new local sales or use tax in respect to purchases if the tangible personal property is used solely in the performance of such contract.

Monthly utility bills for gas and electricity, based on meter readings

If the meter is read on or after June 1, 1972, the new tax will be added to the billing based on such reading only if more than 50% of the period covered by such bill is for the period after May 31, 1972.

Monthly telephone bills

The new tax will be added to all bills dated on or after June 1, 1972, except those charges for services furnished before the date of such bill shall be taxable at the old rate.

Social and athletic club dues

The new tax will be applied to all bills covering any period which begins on or after June 1, 1972. The new tax will not be applied to bills covering periods which begin before June 1, 1972. A quarterly or semi-annual billing mailed prior to June 1 for a period beginning on or after June 1 will be subject to the new rate.

Admissions

Amusement admissions to an event occuring on or after June 1, 1972 are taxable at the new rate unless the tickets were actually sold and delivered to the purchaser prior to June 1, 1972, regardless of whether the admission charge was paid before such date.

Hotel occupancy

The new rate applies to all daily rentals, on or after June 1, 1972, unless the occupant is a permanent resident (ninety days consecutive occupancy). If the rental is on other than a daily basis the new rate shall be applied to the charge, on a pro rata basis.

The City of New York

JOHN V. LINDSAY, *Mayor*

FINANCE ADMINISTRATION BULLETIN

RICHARD LEWISOHN
Finance Administrator

Vol. 2, No. 3 **July 1971**

NEW CITY TAX PROGRAM ENACTED

Income Taxes

- For taxable years beginning on or after January 1, 1971, the Personal Income Tax and Nonresident Earnings Tax rates are increased by approximately 80% on the average. (Local Law No. 44 of 1971) New withholding tables for the balance of 1971 reflecting these increases can be obtained at the Department of Tax Collection, 139 Centre Street, New York, N.Y. 10013, Room 110, or by calling 966-3025.
- For taxable years beginning on or after January 1, 1971, the City's Unincorporated Business Tax is made applicable to self-employed professionals including lawyers, dentists, doctors, engineers and veterinarians. (Local Law No. 36 of 1971)
- For tax years beginning on or after January 1, 1971, the City General Corporation Tax rate on net income is increased from 5.5% to 6.7%, and the rate of the alternative corporate tax based upon net income plus officers' salaries is similarly increased. (Local Law No. 45 of 1971)

Excise Taxes

- Effective July 1, 1971, a new tax of 2¢ per container is imposed on rigid and semi-rigid plastic containers sold to retailers and intended to be used in connection with retail sales or as containers for products intended for retail sale. The tax, with certain exceptions, does not apply to containers used as receptacles for food, food products, beverages, dietary food and health supplements sold for human consumption. Normally, the tax is payable by the seller or supplier of plastic containers who sells or furnishes them to the retailer. A credit of 1¢ per container is allowed where the container is manufactured with at least 30% of recycled plastic. The first return for this tax must be filed by October 20, 1971. (Local Law No. 43 of 1971)
- Effective July 1, 1971, an additional tax on cigarettes at the wholesale level is levied at 3¢ or 4¢ per 20-cigarette pack, depending upon their nicotine and tar content according to Federal Trade Commission surveys published in the Federal Register. (Local Law No. 34 of 1971)
- Effective August 1, 1971, a new State-collected 1¢ per gallon tax will be imposed on motor fuel containing more than .5 grams of lead per gallon sold within New York City. (Local Law No. 40 of 1971)
- Effective July 1, 1971, the 3% City Sales Tax as well as the 4% State Sales Tax will be applied to sales of food and beverages under $1, previously untaxed, when sold in or by restaurants, taverns or other establishments. (Local Law No. 41 of 1971)

The City of New York
JOHN V. LINDSAY, *Mayor*

FINANCE ADMINISTRATION BULLETIN

RICHARD LEWISOHN
Finance Administrator

Vol. 2, No. 3 July 1971

Real Estate Taxes and Charges

- The City Council has fixed the basic tax rate at $5.97 for each $100 of assessed valuation, an increase of 8¢ over the 1970-71 rate.
- Effective January 1, 1972, the tax exemption is revoked as to several classes of real property (where exemption is not mandated by the State Constitution), including property owned by medical, dental, and pharmaceutical societies, patriotic and historical societies, and bar associations. Taxes on those classes of property for the period from January 1, 1972 to June 30, 1972 will be due and payable on June 1, 1972. (Local Law No. 46 of 1971)
- A proposal authorizing the imposition of charges for such services as water supply, police and fire protection, and sanitation on certain tax-exempt property is awaiting action by the Board of Estimate.

RECENT TAX RULINGS

General Corporation Tax

Shareholders of a dissolved and liquidated corporation who have received assets of the corporation in distribution are liable for the unpaid taxes of the corporation to the extent of the value of the assets received.

Failure to report changes or corrections in federal or state taxable income or tax within 90 days after a final determination will subject a taxpayer to penalties.

A corporation's administrative difficulties and changes in personnel and tax reporting procedures arising from reorganization are not reasonable causes such as will excuse a late-filing penalty.

Cigarette Tax

A mail-order purchaser of cigarettes from an out-of-state concern can be assessed the unpaid cigarette tax due, a penalty of 50% of the tax, and interest at 1% per month for each month of delay in paying the tax due. If a purchaser has in his possession or control more than 10 cartons of unstamped or unlawfully stamped packages, an additional penalty of $100 for each carton in excess of 10 may be imposed.

Unincorporated Business Tax

A partnership operating a Florida hotel, which maintains a local business office for the purpose of advertising, soliciting, and taking reservations, is carrying on business in the City and is subject to tax.

Commercial Motor Vehicle Tax

Station wagons having commercial license plates are presumed to be used for commercial purposes and are subject to tax if used principally in the City or used principally in connection with a business carried on within the City.

FOR INFORMATION: *Write* – Finance Administration, Correspondence Unit, 139 Centre St., New York, N.Y. 10013
Phone – 964 - 5900

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
		the $141-million tax package already authorized. 'Again, he, (Mayor Lindsay) is asking for the $141-million tax package, which is regressive and which will hurt the poor the most,' Thomas J. Cuite, Council Majority leader, and Mario Merola, Finance Committee chairman, said in a joint statement. "The package includes taxes on shoe shines, beauty shops and auto use. "The Council leaders said that the Mayor 'seems to be aligned with the Governor and the State Legislature in insisting that the city can afford this onerous tax package.'" New York Times, April 11, 1972
ARE SALES BY FARMERS EXEMPT FROM SALES TAXES? • Generally, yes, because farmers produce food for human consumption or for resale. • Sales of items like firewood, Christmas trees, etc., are taxable.	• In areas where students may be interested in farming, have them read Sales Tax Bulletin No. 3 and prepare a chart of items purchased by farmers which are taxable and which are tax exempt.	• Write to Sales Tax Bureau for Bulletin No. 3 (ST-213, Rev. 4/69). "Questions and Answers for Farmers."

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
	Another chart may be prepared showing items on which the farmer who sells at retail has to charge the sales tax. . Ask students to comment on the following statement: Firewood is a necessity and, therefore, should not be subject to a sales tax.	. Write to Advisory Commission on Intergovernmental Relations for annual report "Significant features of State and Local Tax Systems."
DO ALL STATES EXEMPT FOOD SALES FROM SALES TAXES?		
. No. Many states charge a sales tax on food purchased in food stores. New York does not. Six states allow a personal income tax credit for sales taxes paid at food stores.	. All states charge a sales tax on restaurant food. Is this a desirable practice?	. Write to Consumer Education, 11 Park Place, New York, N.Y. 10007, for "Focus on Food Markets," May 15, 1972, and other bulletins.
WHICH LEVELS OF GOVERNMENT MAY LEVY SALES TAXES IN NEW YORK STATE?		
. Sales taxes may be imposed by the State, county, city, or city school district. If, for example, the State rate is 4 percent and the county rate is 2 percent, vendors must collect 6 percent of the money value of the sale (less trade-in allowance) or service.	. Reproduce Form ST-220, New York State and Local Sales Tax Rates by Community found on page 69. Have students compare the combined rates in the various counties — especially those close to home.	. State of New York Department of Taxation and Finance, Sales Tax Bureau, Form ST-220 — New York State and Local Sales Tax Rates by Community. (Rev. 5/71). State Campus, Albany, New York 12227

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
DO ALL COUNTIES WITHIN THE STATE LEVY SALES (OR COMPENSATING USE) TAXES AT THE SAME RATE?		
• The sales tax rate for a particular county includes the State sales tax plus local sales taxes, if any, imposed by the county, city, or city school district. Some counties do not levy any sales tax. Therefore, the combined State and county tax may vary from 4 percent to 7 percent.	. Discuss the following related questions - Is it fair for the purchaser of a car purchased in a county where the sales tax is 7 percent to have to pay a greater sales tax than in an adjoining county where the rate is only 4 percent? - Should the State mandate a uniform statewide sales tax? Or should each county be permitted to continue to decide what tax rate to charge? - How may the difference in sales tax rates between adjoining counties affect merchants in the county where the rate is higher? • Do any pupils or their parents travel to another area to purchase goods because the sales tax is lower in the more distant place?	
WHAT IS THE MEANING OF THE TERM "RATE" USED IN CALCULATING TAXES?		
. In figuring taxes, the tax rate represents a part of 100 cents or $1. A sales tax rate of 7 percent means that if a consumer buys an article for $1, he	• Give students a diagnostic pretest containing problems dealing with percents and with sales taxes. Have students use sales tax charts (page 69) to find the sales tax on sales amounting to less than $10. Have	• Grossnickle and Brueckner, "Discovering Meanings in Elementary School Mathematics, Chapter 13, Holt, Rinehart, and Winston, New York, 1963

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
must pay an additional 7 cents tax ($1 x .07), i.e., 7 cents out of 100 cents. The rate usually is expressed as a percent; but a rate of 7 percent may also be expressed as .07, or seven out of a hundred, or 7/100. Both the fractional form and the decimal form may be used in calculating sales taxes. If a product sells for $700, the tax can be computed by simply multiplying $700 x 7/100. If a product sells for $22.67, the use of the decimal form is indicated. ($22.67 x .07 = $1.59) (Round answer to nearest whole cent.)	• them calculate sales taxes at various rates for sales of more than $10. • Analyze results of pretest and do remedial teaching as needed. • Using the sales tax charts on page 69 of this publication, find the sales tax on taxable sales under $10 using different tax rates. • Calculate the sales tax on tangible personal property retailing for amounts such as $30, $300, $3,000, applying rates of from 4 percent to 7 percent. • Compare the sales tax on a car selling for $4,000 in a county where the sales tax rate is 4 percent with the sales tax in a county where the rate is 7 percent. • Where feasible, give students an opportunity to use adding machines and calculating machines to solve sales tax problems.	• Snyder, L. R., "Essential Business Mathematics," Fourth Edition, McGraw-Hill, New York, 1958
IF A PRODUCT SELLS FOR A PRICE WHICH INCLUDES THE SALES TAX, HOW DO YOU FIND THE AMOUNT OF THE SALES TAX?	. What is done with the money collected over and above the statutory rate? What happens if there is under-collection?	
• Students, as well as adults, frequently have difficulty with	• Have students practice changing percents to decimals.	• Piper, Fairbank, and Gruber, "Applied Business

(continued on page 75)

ST-110.4 (5/71)

N.Y. State Department of Taxation and Finance - Sales Tax Bureau

4% SALES AND USE TAX COLLECTION CHART 4%

Revised - Effective June 1, 1971

Amount of Sale	Tax to be Collected	Amount of Sale	Tax to be Collected
$0.01 to $0.12	None	$5.13 to $5.37	$.21
.13 to .33	1¢	5.38 to 5.62	.22
.34 to .58	2¢	5.63 to 5.87	.23
.59 to .83	3¢	5.88 to 6.12	.24
.84 to 1.12	4¢	6.13 to 6.37	.25
1.13 to 1.37	5¢	6.38 to 6.62	.26
1.38 to 1.62	6¢	6.63 to 6.87	.27
1.63 to 1.87	7¢	6.88 to 7.12	.28
1.88 to 2.12	8¢	7.13 to 7.37	.29
2.13 to 2.37	9¢	7.38 to 7.62	.30
2.38 to 2.62	$.10	7.63 to 7.87	.31
2.63 to 2.87	.11	7.88 to 8.12	.32
2.88 to 3.12	.12	8.13 to 8.37	.33
3.13 to 3.37	.13	8.38 to 8.62	.34
3.38 to 3.62	.14	8.63 to 8.87	.35
3.63 to 3.87	.15	8.88 to 9.12	.36
3.88 to 4.12	.16	9.13 to 9.37	.37
4.13 to 4.37	.17	9.38 to 9.62	.38
4.38 to 4.62	.18	9.63 to 9.87	.39
4.63 to 4.87	.19	9.88 to 10.00	.40
4.88 to 5.12	.20		

On sales over $10.00, compute the tax by multiplying the amount of sale by the applicable tax rate and rounding the result to the nearest whole cent.

ST-110.5 (5/71)

N.Y. State Department of Taxation and Finance - Sales Tax Bureau

5% SALES AND USE TAX COLLECTION CHART 5%

Revised - Effective June 1, 1971

Amount of Sale	Tax to be Collected	Amount of Sale	Tax to be Collected
$0.01 to $0.10	None	$5.10 to $5.29	$.26
.11 to .27	1¢	5.30 to 5.49	.27
.28 to .47	2¢	5.50 to 5.69	.28
.48 to .67	3¢	5.70 to 5.89	.29
.68 to .87	4¢	5.90 to 6.09	.30
.88 to 1.09	5¢	6.10 to 6.29	.31
1.10 to 1.29	6¢	6.30 to 6.49	.32
1.30 to 1.49	7¢	6.50 to 6.69	.33
1.50 to 1.69	8¢	6.70 to 6.89	.34
1.70 to 1.89	9¢	6.90 to 7.09	.35
1.90 to 2.09	$.10	7.10 to 7.29	.36
2.10 to 2.29	.11	7.30 to 7.49	.37
2.30 to 2.49	.12	7.50 to 7.69	.38
2.50 to 2.69	.13	7.70 to 7.89	.39
2.70 to 2.89	.14	7.90 to 8.09	.40
2.90 to 3.09	.15	8.10 to 8.29	.41
3.10 to 3.29	.16	8.30 to 8.49	.42
3.30 to 3.49	.17	8.50 to 8.69	.43
3.50 to 3.69	.18	8.70 to 8.89	.44
3.70 to 3.89	.19	8.90 to 9.09	.45
3.90 to 4.09	.20	9.10 to 9.29	.46
4.10 to 4.29	.21	9.30 to 9.49	.47
4.30 to 4.49	.22	9.50 to 9.69	.48
4.50 to 4.69	.23	9.70 to 9.89	.49
4.70 to 4.89	.24	9.90 to 10.00	.50
4.90 to 5.09	.25		

On sales over $10.00, compute the tax by multiplying the amount of sale by the applicable tax rate and rounding the result to the nearest whole cent.

ST-110.6 (5/71)

N.Y. State Department of Taxation and Finance - Sales Tax Bureau

6% SALES AND USE TAX COLLECTION CHART 6%

Revised - Effective June 1, 1971

Amount of Sale	Tax to be Collected	Amount of Sale	Tax to be Collected
$0.01 to $0.10	None	$5.09 to $5.24	$.31
.11 to .22	1¢	5.25 to 5.41	.32
.23 to .38	2¢	5.42 to 5.58	.33
.39 to .56	3¢	5.59 to 5.74	.34
.57 to .72	4¢	5.75 to 5.91	.35
.73 to .88	5¢	5.92 to 6.08	.36
.89 to 1.08	6¢	6.09 to 6.24	.37
1.09 to 1.24	7¢	6.25 to 6.41	.38
1.25 to 1.41	8¢	6.42 to 6.58	.39
1.42 to 1.58	9¢	6.59 to 6.74	.40
1.59 to 1.74	$.10	6.75 to 6.91	.41
1.75 to 1.91	.11	6.92 to 7.08	.42
1.92 to 2.08	.12	7.09 to 7.24	.43
2.09 to 2.24	.13	7.25 to 7.41	.44
2.25 to 2.41	.14	7.42 to 7.58	.45
2.42 to 2.58	.15	7.59 to 7.74	.46
2.59 to 2.74	.16	7.75 to 7.91	.47
2.75 to 2.91	.17	7.92 to 8.08	.48
2.92 to 3.08	.18	8.09 to 8.24	.49
3.09 to 3.24	.19	8.25 to 8.41	.50
3.25 to 3.41	.20	8.42 to 8.58	.51
3.42 to 3.58	.21	8.59 to 8.74	.52
3.59 to 3.74	.22	8.75 to 8.91	.53
3.75 to 3.91	.23	8.92 to 9.08	.54
3.92 to 4.08	.24	9.09 to 9.24	.55
4.09 to 4.24	.25	9.25 to 9.41	.56
4.25 to 4.41	.26	9.42 to 9.58	.57
4.42 to 4.58	.27	9.59 to 9.74	.58
4.59 to 4.74	.28	9.75 to 9.91	.59
4.75 to 4.91	.29	9.92 to 10.00	.60
4.92 to 5.08	.30		

On sales over $10.00, compute the tax by multiplying the amount of sale by the applicable tax rate and rounding the result to the nearest whole cent.

ST-110.7 (5/71)

N.Y. State Department of Taxation and Finance - Sales Tax Bureau

7% SALES AND USE TAX COLLECTION CHAR 7%

Effective June 1, 1971

Amount of Sale	Tax to be Collected	Amount of Sale	Tax to be Collected
$0.01 to $0.10	None	$5.08 to $5.21	$.36
.11 to .20	1¢	5.22 to 5.35	.37
.21 to .33	2¢	5.36 to 5.49	.38
.34 to .47	3¢	5.50 to 5.64	.39
.48 to .62	4¢	5.65 to 5.78	.40
.63 to .76	5¢	5.79 to 5.92	.41
.77 to .91	6¢	5.93 to 6.07	.42
.92 to 1.07	7¢	6.08 to 6.21	.43
1.08 to 1.21	8¢	6.22 to 6.35	.44
1.22 to 1.35	9¢	6.36 to 6.49	.45
1.36 to 1.49	$.10	6.50 to 6.64	.46
1.50 to 1.64	.11	6.65 to 6.78	.47
1.65 to 1.78	.12	6.79 to 6.92	.48
1.79 to 1.92	.13	6.93 to 7.07	.49
1.93 to 2.07	.14	7.08 to 7.21	.50
2.08 to 2.21	.15	7.22 to 7.35	.51
2.22 to 2.35	.16	7.36 to 7.49	.52
2.36 to 2.49	.17	7.50 to 7.64	.53
2.50 to 2.64	.18	7.65 to 7.78	.54
2.65 to 2.78	.19	7.79 to 7.92	.55
2.79 to 2.92	.20	7.93 to 8.07	.56
2.93 to 3.07	.21	8.08 to 8.21	.57
3.08 to 3.21	.22	8.22 to 8.35	.58
3.22 to 3.35	.23	8.36 to 8.49	.59
3.36 to 3.49	.24	8.50 to 8.64	.60
3.50 to 3.64	.25	8.65 to 8.78	.61
3.65 to 3.78	.26	8.79 to 8.92	.62
3.79 to 3.92	.27	8.93 to 9.07	.63
3.93 to 4.07	.28	9.08 to 9.21	.64
4.08 to 4.21	.29	9.22 to 9.35	.65
4.22 to 4.35	.30	9.36 to 9.49	.66
4.36 to 4.49	.31	9.50 to 9.64	.67
4.50 to 4.64	.32	9.65 to 9.78	.68
4.65 to 4.78	.33	9.79 to 9.92	.69
4.79 to 4.92	.34	9.93 to 10.00	.70
4.93 to 5.07	.35		

On sales over $10.00, compute the tax by multiplying the amount of sale by the applicable tax rate and rounding the result to the nearest whole cent.

The following list includes the combined state sales tax and any county sales tax effective DECEMBER 1, 1972. Those counties which enacted or increased the local tax effective DECEMBER 1, 1972 are shown in *italics*.

CODE	COUNTY	% RATE	CODE	COUNTY	% RATE	CODE	COUNTY	% RATE
ALB	Albany	7	HER	Herkimer	4	RIC	Richmond	*
ALL	Allegany	6	JEF	Jefferson	7	ROC	Rockland	4
BRX	Bronx	*	KIN	Kings	*	SLA	St. Lawrence	7
BRM	Broome	6	LEW	Lewis	4	SAR	Saratoga	4
CAT	Cattaraugus	7	LIV	Livingston	7	SCE	Schenectady	4
CAY	Cayuga	7	MAD	Madison	6	SCO	Schoharie	4
CHA	Chautauqua	7	MOR	Monroe	7	SCY	Schuyler	7
CHM	Chemung	7	MOG	Montgomery	7	SEN	Seneca	4
CHN	Chenango	6	NAS	Nassau	7	STE	Steuben	7
CLI	Clinton	7	NEY	New York	*	SUF	Suffolk	7
COL	Columbia	6	NIA	Niagara	7	SUL	Sullivan	6
COR	Cortland	7	ONE	Oneida	4	TIO	Tioga	6
DEL	Delaware	4	ONO	Onondaga	7	TOM	Tompkins	7
DUT	Dutchess	4	ONT	Ontario	7	ULS	Ulster	5
ERI	Erie	7	ORA	Orange	4	WAR	Warren	7
ESS	Essex	7	ORL	Orleans	7	WAS	Washington	7
FRA	Franklin	7	OSW	Oswego	4	WAY	Wayne	7
FUL	Fulton	7	OTS	Otsego	6	WES	Westchester	5
GEN	Genesee	6	PUT	Putnam	4	WYO	Wyoming	4
GRE	Greene	6	QUE	Queens	*	YAT	Yates	7
HAM	Hamilton	7	REN	Rensselaer	6			

*New York City consists of the counties of Bronx, Kings, New York, Queens and Richmond. The combined tax rate in New York City is 7%.

Vendors must keep separate records of sales made within cities listed below for reporting purposes. The rate listed includes the state, county and city sales tax effective DECEMBER 1, 1972. Those cities which enacted or increased the local tax effective DECEMBER 1, 1972 are shown in *italics*.

CITY	% RATE	COUNTY	CODE
Amsterdam	7	Montgomery	MOG
Canandaigua	7	Ontario	ONT
Elmira	7	Chemung	CHM
Fulton	7	Oswego	OSW
Geneva	7	Ontario	ONT
Glens Falls	7	Warren	WAR
Hornell	7	Steuben	STE
Ithaca	7	Tompkins	TOM
Kingston	7	Ulster	ULS
Mechanicville	6	Saratoga	SAR
Mount Vernon	6	Westchester	WES
Ogdensburg	7	St. Lawrence	SLA
Olean	7	Cattaraugus	CAT
Oneida	7	*Madison*	*MAD*
Oswego	7	Oswego	OSW
Poughkeepsie	6	Dutchess	DUT
Salamanca	7	Cattaraugus	CAT
Saratoga Springs	6	Saratoga	SAR
Troy	7	Rensselaer	REN
Yonkers	7	Westchester	WES

NOTE: Listings of street addresses for the cities shown above are available and will be furnished by the Sales Tax Bureau, State Campus, Albany, New York 12227, upon request.

THE FOLLOWING LISTING PROVIDES THE ENACTMENT AND EFFECTIVE DATES FOR SALES TAXES SINCE AUGUST 1, 1965.

JURISDICTION	%	ENACTED	EFFECTIVE
New York State	2	APRIL 14, 1965	AUGUST 1, 1965
	3	MARCH 29, 1969	APRIL 1, 1969
	4	APRIL 2, 1971	JUNE 1, 1971
COUNTIES:			
Albany	2	DECEMBER 11,1967	MARCH 1, 1968
	3	DECEMBER 15, 1969	MARCH 1, 1970
Allegany	2	NOVEMBER 16, 1967	MARCH 1, 1968
*Broome	2	JULY 13, 1965	AUGUST 1, 1965
Cattaraugus	3	NOVEMBER 21, 1967	MARCH 1, 1968
Cayuga	3	MARCH 19, 1968	JUNE 1, 1968
Chautauqua	3	MAY 10, 1968	SEPTEMBER 1, 1968
*Chemung	2	JULY 12, 1965	AUGUST 1, 1965
	3	DECEMBER 12, 1967	MARCH 1, 1968
Chenango	2	DECEMBER 2, 1968	MARCH 1, 1969
Clinton	3	NOVEMBER 24, 1967	MARCH 1, 1968
Columbia	2	NOVEMBER 29, 1971	MARCH 1, 1972
Cortland	3	NOVEMBER 24, 1967	MARCH 1, 1968
*Erie	2	JULY 27, 1965	AUGUST 1, 1965
	3	NOVEMBER 30, 1971	MARCH 1, 1972
Essex	3	DECEMBER 4, 1967	MARCH 1, 1968
Franklin	2	AUGUST 22, 1967	DECEMBER 1, 1967
	3	MAY 29, 1968	SEPTEMBER 1, 1968
Fulton	3	DECEMBER 11, 1967	MARCH 1, 1968
Genesee	2	JUNE 25, 1965	JANUARY 1, 1966
Greene	2	MARCH 22, 1968	JUNE 1, 1968
Hamilton	3	JANUARY 4, 1968	JUNE 1, 1968
*Jefferson	2	JULY 12, 1965	AUGUST 1, 1965
	3	NOVEMBER 14, 1967	MARCH 1, 1968
Lewis ⁄1	3	FEBRUARY 2, 1968	JUNE 1, 1968
Livingston	3	NOVEMBER 30, 1967	MARCH 1, 1968
Madison	2	DECEMBER 15, 1967	MARCH 1, 1968
*Monroe	3	JULY 20, 1965	AUGUST 1, 1965
Montgomery	3	DECEMBER 5, 1967	MARCH 1, 1968
Nassau	2	DECEMBER 9, 1968	MARCH 1, 1969
	3	NOVEMBER 29, 1971	MARCH 1, 1972
Niagara	3	DECEMBER 3, 1968	MARCH 1, 1969
Onondaga	2	SEPTEMBER11, 1967	DECEMBER 1, 1967
	3	OCTOBER 11, 1968	DECEMBER 1, 1968
Ontario	2	MAY 26, 1967	SEPTEMBER 1, 1967
	3	MARCH 12, 1970	JUNE 1, 1970
Orleans	2	NOVEMBER 30, 1967	MARCH 1, 1968
	3	JUNE 4, 1970	SEPTEMBER 1, 1970
Otsego	2	DECEMBER 7, 1967	MARCH 1, 1968
Rensselaer	2	JULY 24, 1968	DECEMBER 1, 1968
St. Lawrence	3	NOVEMBER 13, 1967	MARCH 1, 1968
Schuyler	3	NOVEMBER 27, 1967	MARCH 1, 1968
Steuben	2	NOVEMBER 27, 1967	MARCH 1, 1968
	3	NOVEMBER 22, 1971	MARCH 1, 1972
Suffolk	2	DECEMBER 2, 1968	MARCH 1, 1969
	3	FEBRUARY 8, 1972	SEPTEMBER 1, 1972
Sullivan	2	DECEMBER 20, 1967	MARCH 1, 1968
Tioga	2	MAY 27, 1968	SEPTEMBER 1, 1968
Tompkins	3	NOVEMBER 28, 1966	MARCH 1, 1967
Ulster	1	FEBRUARY 13, 1969	JUNE 1, 1969
Warren	3	NOVEMBER 27, 1967	MARCH 1, 1968
Washington	3	FEBRUARY 25, 1970	SEPTEMBER 1, 1970
Wayne	2	NOVEMBER 15, 1967	MARCH 1, 1968
	3	FEBRUARY 20, 1968	JUNE 1, 1968
Westchester	1	DECEMBER 22, 1971	SEPTEMBER 1, 1972
Yates	3	NOVEMBER 20, 1967	MARCH 1, 1968
CITIES:			
Amsterdam(MOG) ⁄7	1½	MARCH 15, 1968	MARCH 1, 1969
*Auburn (CAY) ⁄2	2	JUNE 24, 1965	AUGUST 1, 1965
*Batavia (GEN) ⁄3	2	JULY 12, 1965	AUGUST 1, 1965
Buffalo (ERI) ⁄8	1	MAY 14, 1970	SEPTEMBER 1, 1970
*Canandaigua (ONT) ⁄7	1	JULY 13, 1965	AUGUST 1, 1965
	1½	JULY 13, 1967	MARCH 1, 1968
Elmira (CHM) ⁄7	1½	SEPTEMBER 29, 1971	MARCH 1, 1972
Fulton (OSW)	2	DECEMBER 5, 1967	MARCH 1, 1968
	3	DECEMBER 9, 1971	MARCH 1, 1972
Geneva (ONT) ⁄7	1	JUNE 14, 1967	SEPTEMBER 1, 1967
	1½	JUNE 14, 1967	MARCH 1, 1968
Glens Falls (WAR) ⁄7	1½	JUNE 19, 1968	MARCH 1, 1969
Hornell (STE) ⁄7	1	APRIL 1, 1969	JUNE 1, 1969
	1½	JUNE 23, 1970	MARCH 1, 1971
Ithaca (TOM) ⁄7	1½	JUNE 25, 1969	MARCH 1, 1970
Kingston (ULS)	2	DECEMBER 12, 1967	MARCH 1, 1968
Mechanicville (SAR)	2	JUNE 10, 1970	SEPTEMBER 1, 1970
Mount Vernon (WES)	1	FEBRUARY 23, 1972	JUNE 1, 1972
*New York City	3	JULY 22, 1965	AUGUST 1, 1965
*Niagara Falls (NIA) ⁄4	2	JULY 29, 1965	AUGUST 1, 1965
	3	SEPTEMBER 6, 1966	DECEMBER 1, 1966
Ogdensburg (SLA) ⁄7	1½	JUNE 13, 1968	MARCH 1, 1969
Olean (CAT) ⁄7	1½	APRIL 23, 1968	MARCH 1, 1969
Oneida (MAD)	1	JUNE 13, 1972	DECEMBER 1, 1972
Oswego (OSW)	2	NOVEMBER 27, 1967	MARCH 1, 1968
	3	JANUARY 10, 1972	MARCH 1, 1972
*Plattsburgh (CLI) ⁄5	2	JULY 15, 1965	AUGUST 1, 1965
*Poughkeepsie (DUT)	1	JULY 7, 1965	AUGUST 1, 1965
	2	JANUARY 9, 1969	MARCH 1, 1969
Salamanca (CAT) ⁄7	1½	MAY 27, 1968	MARCH 1, 1969
Saratoga Springs (SAR) ⁄1	3	JANUARY 24, 1968	JUNE 1, 1968
	1	FEBRUARY 3, 1969	JUNE 1, 1969
	2	AUGUST 3, 1970	DECEMBER 1, 1970
*Syracuse (ONO) ⁄6	1	JUNE 7, 1965	AUGUST 1, 1965
Troy (REN) ⁄7	1	DECEMBER 5, 1968	MARCH 1, 1969
	1½	JUNE 4, 1970	MARCH 1, 1971
Yonkers (WES)	1	DECEMBER 30, 1967	JUNE 1, 1968
	2	DECEMBER 10, 1968	MARCH 1, 1969
	3	JANUARY 3, 1970	MARCH 1, 1970

NOTES:

⁄1 REPEALED EFFECTIVE SEPTEMBER 1, 1968
⁄2 SUSPENDED EFFECTIVE JUNE 1, 1968
⁄3 REPEALED EFFECTIVE JANUARY 1, 1966
⁄4 REPEALED EFFECTIVE MARCH 1, 1969
⁄5 SUSPENDED EFFECTIVE MARCH 1, 1968
⁄5 REPEALED EFFECTIVE DECEMBER 1, 1967
⁄7 PRE-EMPTED COUNTY TAX. WITHIN CITY, THE COUNTY TAX RATE IS 1½%.
⁄8 REPEALED EFFECTIVE MARCH 1, 1972
* HAD LOCAL TAX PRIOR TO AUGUST 1, 1965

Revised Sales Tax Schedule For
GASOLINE
Sold at Retail Service Stations Through Metered Pumps
(Effective February 1, 1972)

GASOLINE				
SALES TAX TO BE COLLECTED	Sales Tax Rate			
	4%	5%	6%	7%
	Price per Gallon of Gasoline before adding Sales Tax			
0.3¢	. . . . .	. . . . .	. . . . .	. . . . .
0.4	. . . . .	. . . . .	. . . . .	. . . . .
0.5	19.3 - 21.7¢	. . . . .	. . . . .	. . . . .
0.6	21.8 - 24.2	19.0 - 20.9¢	. . . . .	. . . . .
0.7	24.3 - 26.7	21.0 - 22.9	18.9 - 20.4¢	. . . . .
0.8	26.8 - 29.2	23.0 - 24.9	20.5 - 22.1	18.8 - 20.1¢
0.9	29.3 - 31.7	25.0 - 26.9	22.2 - 23.8	20.2 - 21.5
1.0	31.8 - 34.2	27.0 - 28.9	23.9 - 25.4	21.6 - 22.9
1.1	34.3 - 36.7	29.0 - 30.9	25.5 - 27.1	23.0 - 24.4
1.2	36.8 - 39.2	31.0 - 32.9	27.2 - 28.8	24.5 - 25.8
1.3	39.3 - 41.7	33.0 - 34.9	28.9 - 30.4	25.9 - 27.2
1.4	41.8 - 44.2	35.0 - 36.9	30.5 - 32.1	27.3 - 28.7
1.5	44.3 - 46.7	37.0 - 38.9	32.2 - 33.8	28.8 - 30.1
1.6	46.8 - 49.2	39.0 - 40.9	33.9 - 35.4	30.2 - 31.5
1.7	49.3 - 51.7	41.0 - 42.9	35.5 - 37.1	31.6 - 32.9
1.8	51.8 - 54.2	43.0 - 44.9	37.2 - 38.8	33.0 - 34.4
1.9	54.3 - 56.7	45.0 - 46.9	38.9 - 40.4	34.5 - 35.8
2.0	56.8 - 59.2	47.0 - 48.9	40.5 - 42.1	35.9 - 37.2
2.1	. . . . .	49.0 - 50.9	42.2 - 43.8	37.3 - 38.7
2.2	. . . . .	51.0 - 52.9	43.9 - 45.4	38.8 - 40.1
2.3	. . . . .	53.0 - 54.9	45.5 - 47.1	40.2 - 41.5
2.4	. . . . .	55.0 - 56.9	47.2 - 48.8	41.6 - 42.9
2.5	. . . . .	57.0 - 58.9	48.9 - 50.4	43.0 - 44.4
2.6	. . . . .	. . . . .	50.5 - 52.1	44.5 - 45.8
2.7	. . . . .	. . . . .	52.2 - 53.8	45.9 - 47.2
2.8	. . . . .	. . . . .	53.9 - 55.4	47.3 - 48.7
2.9	. . . . .	. . . . .	55.5 - 57.1	48.8 - 50.1
3.0	. . . . .	. . . . .	57.2 - 58.8	50.2 - 51.5
3.1	. . . . .	. . . . .	. . . . .	51.6 - 52.9
3.2	. . . . .	. . . . .	. . . . .	53.0 - 54.4
3.3	. . . . .	. . . . .	. . . . .	54.5 - 55.8
3.4	. . . . .	. . . . .	. . . . .	55.9 - 57.2
3.5	. . . . .	. . . . .	. . . . .	57.3 - 58.7

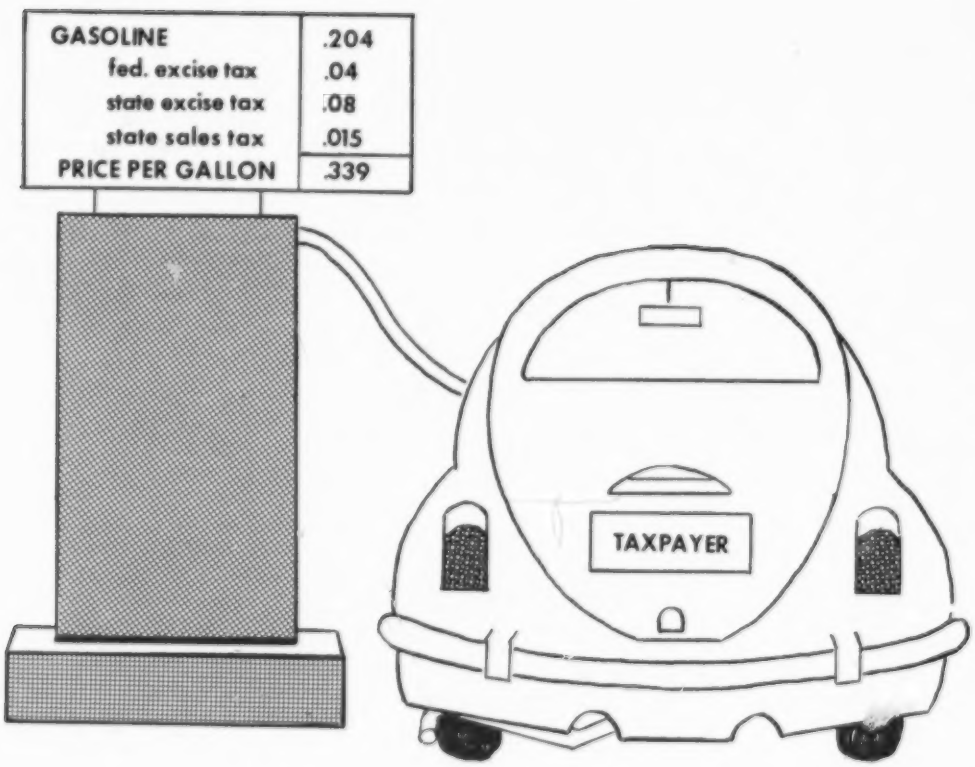
The price per gallon shown includes the 4¢ Federal tax and 8¢ State gasoline tax, but the sales tax per gallon is based on the price excluding the State gasoline tax.

Form ST-110 (1/72)

$$\frac{\text{TOTAL TAX}}{\text{TOTAL PRICE PER GAL.}} = \frac{.135}{.339} = 39.8\%$$

OR

When you buy a dollars worth of gasoline, about 40¢ of your dollar goes for taxes.



State of New York - Department of Taxation and Finance - Sales Tax Bureau
7 Percent Sales Tax Schedule for
LEADED GASOLINE
Sold at Retail Service Stations in NEW YORK CITY Through Metered Pumps
(Effective February 1, 1972)

Sales Tax to be Collected	Price per Gallon (before adding Sales Tax
0.3¢	
0.4	
0.5	
0.6	
0.7	
0.8	19.8 - 21.1¢
0.9	21.2 - 22.5
1.0	22.6 - 23.9
1.1	24.0 - 25.4
1.2	25.5 - 26.8
1.3	26.9 - 28.2
1.4	28.3 - 29.7
1.5	29.8 - 31.1
1.6	31.2 - 32.5
1.7	32.6 - 33.9
1.8	34.0 - 35.4
1.9	35.5 - 36.8
2.0	36.9 - 38.2
2.1	38.3 - 39.7
2.2	39.8 - 41.1
2.3	41.2 - 42.5
2.4	42.6 - 43.9
2.5	44.0 - 45.4
2.6	45.5 - 46.8
2.7	46.9 - 48.2
2.8	48.3 - 49.7
2.9	49.8 - 51.1
3.0	51.2 - 52.5
3.1	52.6 - 53.9
3.2	54.0 - 55.4
3.3	55.5 - 56.8
3.4	56.9 - 58.2
3.5	58.3 - 59.7

The price per gallon shown above includes the 4¢ Federal tax, the 8¢ State gasoline tax, and the 1¢ New York City leaded gasoline tax, but the sales tax per gallon is based on the price excluding both the State gasoline tax and the New York City leaded gasoline tax (total excluded - 9¢).

Form ST-110.1 (1/72)

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
problems of this type. The total selling price includes the retail price of the article plus the sales tax. In terms of percents, the retail price of the article, excluding the sales tax, equals 100 percent, the base. If the sales tax rate is 7 percent, the total price equals 107 percent. To find the sales tax, first find 100 percent by dividing the total price by 1.07 (107 percent). Then, subtract the price of the article (equals 100 percent) from the total price. The remainder is the amount of the sales tax.	• Students should be able to solve problems such as the following: Selling Price (Including Tax) / Sales Tax Rate / Amount of the Sales Tax $ [illegible].49 / 7% / ? 1,450.00 / 4% / ? 1,365.00 / 5% / ? 1,264.64 / 4% / ? 677.34 / 6% / ? • A used car was sold for $2,354, which included a 7 percent sales tax. (a) What was the cost of the car before the sales tax was added? (b) What was the amount of the sales tax? Solution: Selling price = 100 percent Sales tax = 7 percent Total price = 107 percent 1) Convert 107 percent to a decimal (1.07) 2) Divide total price by 1.07: $\frac{\$2,354}{1.07} = \$2,200$ (a) 3) $2,354 - 2,200 = $154 = Sales Tax (b) • Students should solve numerous problems of this type using sales tax rates of 4 percent to 7 percent. Every effort should be made to assure a thorough understanding of this type of problem. • A retail merchant's cash register tape for 1 day showed a total of $235.40	Mathematics," Ninth Edition, South-Western, New Rochelle, New York, 1970. (See entries in index under "percent" and "percentage relationships.") • Small merchants may not have a cash register built to compute the sales tax and make separate totals for the amount of the sale and the amount of the tax. The use of the method illustrated is then indicated.

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
	which included the 7 percent sales tax. What was the amount of the sales tax owing to the State for that 1 day's sales?	
IN 1971, NEW YORK STATE INCREASED THE STATE SALES TAX RATE FROM 3 PERCENT TO 4 PERCENT.		
• What was the rate of increase in the tax? Frequently the answer to this question is given as 1 percent. However, the student should understand that an increase from 3 percent to 4 percent actually is an increase of 33 1/3 percent: 4% = .04 3% = .03 .01 (increase) $\frac{.01}{.03} \times \frac{100}{100} = \frac{1}{3} = 33\frac{1}{3}\%$	• Have students calculate the rate of increase if - the sales tax is increased from 4 percent to 5 percent - from 5 percent to 6 percent - from 6 percent to 7 percent. Problem: Assume that a consumer purchased $3,000 worth of goods and services subject to the sales tax in 1967 in a county where the sales tax rate was 5 percent and that he purchased the same amount of taxable merchandise in 1968 when the sales tax rate was increased to 7 percent. - How much more sales tax did he pay in 1968 than in 1967? - What was the rate of increase in the sales tax?	• A small increase in the sales tax rate can substantially increase the annual amount of sales taxes paid by the consumer.
• What appears to be a small increase in the sales tax rate may in fact be a very substantial increase. If, for example, an individual paid a total of $300 in sales taxes	Solution: (1968) $3,000 x .07 = $210 (1967) $3,000 x .05 - $150 Amount of increase $ 60 $\frac{60}{150} = \frac{2}{5} = 40\%$ = rate of increase	

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
in 1 year, this rate increase (assuming the same dollar value of taxable purchases) would cost him $100 in additional taxes.	Proof: $150 x.40 $60.00 amount of increase • Even though the sales tax is a regressive tax, many consumers would rather pay out relatively small amounts in sales taxes than be hit with a large income tax. Does this make good sense for the poor and low middle income consumer?	
WHAT IS A REGRESSIVE TAX? • A regressive tax is one that takes a larger fraction of total income from low income earners than it does from high income earners. IS A SALES TAX A REGRESSIVE TAX? • A sales tax is a regressive tax inasmuch as the effective rate of taxation varies inversely with income. WHAT IS A PROGRESSIVE TAX? • A progressive tax is one that takes a progressively larger fraction of total income from high income earners than it does from low income earners. • Personal income and estate taxes levied by the	• In a county where the sales tax rate is 4 percent, Charles Anderson bought a new Ford which sold for $3,000. Guido Esposito, a citizen of the same county, bought an identical car at the same price. Anderson has a total income of $12,000 per year. Esposito earns $6,000 per year. Is the sales tax charged on these purchases a regressive tax? Why? Solution: (Anderson) $\frac{\text{Sales tax}}{\text{Total income}} = \frac{\$\ 120}{12{,}000} = 1\%$ (Esposito) $\frac{\text{Sales tax}}{\text{Total income}} = \frac{\$\ 120}{6{,}000} = 2\%$ Anderson earns twice as much as Esposito. Yet, his sales tax for this purchase is only 1 percent of his total income whereas	• Samuelson, Paul A., "Economics," Eighth Edition, chapter 9, McGraw-Hill, New York, 1970 • McConnel, C. R., "Economics," Fourth Edition, chapter 9, McGraw-Hill, New York, 1969 • Reynolds, L. G., "Economics," Revised Edition, chapter 17, Richard D. Irwin, Homewood, Illinois, 1966 • Leith and Lumpkin, "Economics U.S.A.," chapter 29, McGraw-Hill, New York, 1968 • Warmke, et al., "Consumer Economic Problems"

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
Federal Government and some states are examples of progressive taxes. . In combination, income and sales taxes in New York tend to be progressive.	Esposito's is 2 percent. . Discuss: Is the Federal income tax a progressive or a regressive tax? . Discussion question: Is the sales tax a "fair" tax?	chapter 13, South-Western, New Rochelle, New York, 1971
WHAT IS A PROPORTIONAL TAX?		
. A proportional tax is a single tax rate applied to a given tax base.	. Problem: Taxpayer "A" has a gross annual income of $7,000. Taxpayer "B's" gross annual income is $35,000. If each taxpayer pays a 10 percent tax on his gross annual income, is there any difference in their relative financial positions after the tax is paid? (Answer: "B" has $31,500 left over; "A" has $6,300. B's income after taxes is still five times as much as A's. This illustrates the proportional tax.) . Is an excise tax proportional, progressive, or regressive?	. Leith and Lumpkin, "Economics U.S.A.," chapter 29, McGraw-Hill, New York, 1968 . A proportional tax does not alter the relative financial positions of taxpayers at various income levels. A progressive tax decreases income disparity. A regressive tax increases income disparity.

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE

"The power to tax ... is not only the power to destroy but also the power to keep alive."

U.S. Supreme Court

WHAT IS AN EXCISE TAX? HOW DOES IT DIFFER FROM A SALES TAX?

- An excise tax is levied on the manufacture or sale of specific commodities, such as cigarettes, gasoline, alcohol, etc.
- A sales tax is based on the retail selling price of a broad group of goods and services.
- Excise taxes on selected commodities, such as cigarettes, cigars, and motor fuel are commodity oriented — not sales price oriented.

- Have students visit a local gasoline station and find out the amount of excise and sales taxes included in the price of a gallon of gasoline.
- Question: What percentage of the total price of a gallon of gasoline represents taxes? (See illustration on page 73.)

- See "Revised Sales Tax Schedule for Gasoline," Form ST-110 (1/72) on page 74 of this publication.
- Leith and Lumpkin, "Economics U.S.A.," chapter 29, McGraw-Hill, New York, 1968

WHY DO GOVERNMENTS IMPOSE REGRESSIVE SALES TAXES RATHER THAN PROGRESSIVE TAXES?

- Consumers, generally, complain less about taxes on small purchases because they frequently amount to only a small amount per transaction.

- Have students discuss the psychological factors relating to taxation. Charging relatively small amounts on each transaction rather than paying out a large lump sum amount may be more desirable to some taxpayers.

- Warmke, et al., "Consumer Economic Problems," chapter 13, South-Western, New Rochelle, New York, 1971

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
• The tax is easy to collect at the point of purchase. (A retail dealer who doesn't charge the sales tax to his customers is in violation of the law.)	• Should retail dealers who collect sales taxes for the government be reimbursed for expenses incurred in collecting sales taxes, i.e., for bookkeeping costs, making out reports, acting as trustee for the State, etc.?	
ARE ALL PEOPLE IN AGREEMENT THAT THE SALES TAX IS AN UNFAIR OR UNDESIRABLE TAX?		
• No. Opinions differ. (See Pechman proposal in Source column.)	• Run off a copy of the Pechman proposal and get student reactions. An important point to consider is whether the amount of any proposed refund would be sufficient to overcome the criticisms of the sales tax. • Have students consider the following related questions: - Is the sales tax based on the consumer's ability to pay? - Who benefits most from government expenditures? Is it the rich or the poor? Or are the benefits distributed equally among all taxpayers? - If some benefits are distributed equally, should all taxpayers	• "Economist Advocats Raising Local Taxes," New York Times, Sunday, August 1, 1971, p. F7. "Joseph A. Pechman, Director of Economic Studies of the Brookings Institution favors increasing the revenue raised at State and local levels through sales taxes. He advocates taxing food and medicines which now are exempt in some states. He argues that the rich and middle class get the benefit of these exemptions as well as the poor. However, his plan calls

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
	pay the same amount of tax for the service rendered? (Consider how this would affect recipients of welfare payments. They would pay taxes equal to the amounts received.)	for a flat per capita tax credit on the State income tax paid, or making a direct refund to low-income taxpayers who do not owe income taxes." (See also a similar provision in the proposed value-added tax discussed on page 85 of this publication.)
COULD WE ELIMINATE THE MANY FORMS OF TAXATION WHICH NOW ARE LEVIED AND ADOPT A SINGLE TAX TO PROVIDE ALL LEVELS OF GOVERNMENT WITH THE MONEY THEY NEED?		
• Theoretically, this might be possible; but from a practical, political point of view, it would be extremely difficult to accomplish. . A combination of taxes seems more practical. Such a system would permit lower rates for each kind of tax and may reduce tax avoidance and tax evasion.	• This question may be used to elicit a discussion of the kinds of taxes levied at the State and Federal level and to give students an understanding of the political pressures brought to bear on legislatures to protect the vested interests of various groups within our society. (From this discussion, students should learn that pressures are brought by the rich as well as the poor, unions as well as businessmen. Doctors, teachers, civil service workers, liquor distributors, and defense industries — all try to influence lawmakers to minimize the amount of taxes they must pay.)	• Samuelson, P., "Economics." (See especially pp. 154-157.) • See also other economics textbooks previously cited.

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
WHAT IS A "VIABLE" TAX SYSTEM?		
. Some economists, as well as lawmakers, recognize that a single tax would not satisfy all groups within our society. Their solution, therefore, is to use a combination of taxes — a tax system that is acceptable to most taxpayers — that will raise enough taxes to pay for government expenditures.	. Can the less affluent members of our society influence legislation? (Answer: They might be very influential if they exercised fully their right to vote.)	. The rich generally favor regressive taxes and voice strong objection to progressive taxes. Small retailers and the poor complain about sales taxes.
	. Question: What are some major objections to the idea of a "viable" tax system? (One viewpoint: Unorganized and/or uninformed taxpayers may not be able to bring sufficient pressure to bear on lawmakers to prevent the passage of unfair or inequitable taxes. Large taxpayers — who supply most of the money for election campaigns — may use their "power of the purse" to obtain passage of legislation to minimize their taxes.)	. Whether or not a tax is acceptable depends upon "whose ox is being gored." . No tax is perfect. If you "soak the rich," the incentive to produce or to invest capital in business enterprises may be destroyed. . If you overtax the poor, you increase "poverty" conditions, a condition which may be ameliorated only by further taxes.
	. What method has been adopted to provide campaign funds to political candidates so that they would not be obligated to solicit funds from the wealthy?	

"Taxes are paid in the sweat of every man that labors."
Roosevelt

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
. Can states afford to tax businesses or the wealthy so heavily that they relocate in other states? - No. This would have an adverse effect on the economy of the State.	. What would happen to employment if a large number of manufacturers moved out of New York State? What other businesses would suffer if this happened? (Banks, retailers, wholesalers, etc.)	. A viable tax system must be one reasonably acceptable to all segments of our society.

BACKGROUND INFORMATION

WHY DID NEW YORK STATE IMPOSE A STATEWIDE SALES TAX?

"New York imposed a statewide sales tax because it was already imposed in 13 local jurisdictions in New York State prior to 1965 and state administration of those taxes greatly simplified compliance for vendors and reduced administrative expenses. Also, a great deal of additional state revenue was needed and the sales tax was capable of producing that level of revenue, and it was possible to meet additional local revenue needs through state administration of local sales tax. The need for additional local revenues was due largely to greatly expanded welfare expenditures." (Quoted from a letter by a State tax administrator.)

VALUE-ADDED TAXES

'VAT'

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
WHAT IS A VALUE-ADDED TAX?		
. A value-added tax ("VAT") is a tax added on at each stage of production and distribution — whenever value is added to a raw material or finished item as it passes from producer to consumer.	. Illustrate VAT using automobile manufacturing as an example. Each supplier of raw materials, semifinished goods, or component parts would charge the tax to the prime manufacturer. The manufacturer would take credit for taxes paid his suppliers. The tax would not build up (pyramid).	. U.S. News and World Report, June 21, 1971: "A New Tax Under — Study — Here's How It Would Work" . Washington Economist: "The way the Federal budget keeps rising, it's clear that we are going to need to investigate every possible way to raise additional revenue."
WHEN PAYING THE "VAT" ON THE SALE OF A FINISHED PRODUCT, WOULD THE MANUFACTURER BE GIVEN CREDIT FOR VAT PAID ON MATERIALS WHICH HE PURCHASED FROM HIS SUPPLIERS?		
. Yes, e.g., if the VAT on a completed car was $30 and the manufacturer previously paid value-added taxes of $14 per car, he would receive credit for the $14. (The same would hold true of the dealer who purchased the car from the manufacturer.)	. Prepare copies of the AFL-CIO Legislative Department letter (page 88) which illustrates how a value-added tax might work.	

BACKGROUND INFORMATION

The Federal Government has not enacted a value-added tax into law, however, strong opposition to, as well as strong support for, the VAT already has been expressed. Before forming opinions students should know that there are many variations of VAT. This tax may be regressive. But, if "necessaries" are taxed at lower rates than "luxury" goods or exempted from VAT, this objection may be less valid. If the adoption of VAT would reduce regressive property taxes, it may be acceptable to taxpayers. Final judgment should be withheld until Congress or another legislative body considers a specific VAT law.

NEWS ITEM

New York Taxpayer, September/October 1972

Proposed value-added tax gets cool reception

Voters in three Northeast districts have expressed disapproval of a value-added tax, according to surveys taken by their Congressmen.

The value-added tax, often described as a "national sales tax," was suggested earlier this year as a possible means of raising revenue to reduce local property tax burdens for elementary and secondary education.

Of the nearly 20,000 persons in Manhattan's 17th Congressional district who replied to questionnaires sent out by New York Representative Edward I. Koch, 62 per cent disapproved of a value-added tax while 38 per cent favored the plan.

In a telephone survey of 3,000 persons in the district of Pennsylvania Congressman Joseph M. Gaydos, 77 per cent of those contacted opposed the federal tax, 13.5 per cent favored it, and 9.5 per cent said they were undecided.

The results of a questionnaire sent to the constituents of New Jersey Congressman Henry Helstocki showed that 71 per cent disapproved of the VAT, 22 per cent favored the plan, and 7 per cent were undecided.

Other Polls

According to Rep. John J. Rhodes of Arizona the question was also asked in a poll of 7,850 persons whose names appear on 20 different mailing lists developed by the Republican National Committee.

"The value added tax brought a heavy 68 per cent 'no' vote while 18.1 per cent voted 'yes'. A sizeable 13.9 per cent 'no response' on this question he said, was "a probable indicator of the lack of understanding of the value-added tax concept itself."

Rep. John F. Seiberling of Ohio gave his constituents a choice of three options. His questionnaire asked, "If it is necessary to raise additional revenue to support the basic needs of this country, which would you prefer?"

Eighty-one per cent of the respondents favored "Reform of the federal income tax system to eliminate special subsidies such as the oil depletion allowance": seven per cent favored "a national sales tax (value added tax on everything you buy)" and four per cent preferred "an increase in the federal income tax rates."

The following article appeared in the Albany Times-Union, Sunday, January 23, 1972.

Kevin P. Phillips: NIXON TO SEEK FEDERAL VALUE-ADDED TAX

WASHINGTON — This spring, President Nixon is expected to propose to Congress that the United States establish a federal value-added tax as a **substitute** for the present patchwork system of financing education through local property taxes. In plain English, the value-added tax (VAT) is a national sales tax, imposed on the value added to goods at each stage of production. VAT revenues would be given to states so that property taxes could be remitted to the extent now used for schools. It is a good idea — a controversial one.

The administration contemplates a 2 to 3 per cent federal VAT — far, far below European levels, by the way. France, which opted for VAT in 1954, has four rates (7.5 per cent for food up to 33 per cent for luxuries); Denmark embraced VAT in 1967 and now has a 15 per cent rate; and so forth. By imitating this spreading VAT system, the U.S. would be adopting a tried and true international revenue device, as well as strengthening the competitiveness of U.S. exports.

NEVERTHELESS, THE howls of U.S. liberals are as predictable as April showers. Foremost among their objections is the one that VAT is regressive, and falls most heavily upon poor people who spend all their money on VAT-burdened consumer purchases. There is enough merit in this argument — or at least it is widespread enough — to deserve careful analysis.

First, remember that VAT is being considered in Washington as a substitute for the most regressive tax around — the local property levy. According to a study of 1968 tax impact by Herman Miller, chief of the Population Division of the U.S. Census Bureau (and a Democrat), property taxes — not sales taxes — hit the poor hardest. In the under $2,000-a-year income group, for example, Miller found property taxes accounting for 16.2 per cent of annual income, while sales taxes consumed just 6.6. per cent. Moving up a notch to the $2,000-to-$4,000-a-year bracket, property taxes gobbled up 7.5 per cent as opposed to only 4.9 per cent for sales taxes. Miller's data indicated that middle-income groups pay about the same percentage of their annual take — 3-4 per cent — in property taxes as in sales levies.

True, a sales tax like VAT is still regressive when applied across-the-board. But the White House plans to exempt the poor. President Nixon and his advisers will ask that persons below a certain income level get credits against federal income tax or — if they pay no tax — cash rebates. Many poor people, especially homeowners will profit by any switchover to VAT. At this writing, the White House does not plan on different rates for foodstuffs and luxuries, a further way of introducing progressivity. However, this could change.

Liberals who hope to milk the regressivity argument may want to query the leftwing welfare-state governments of Denmark and Sweden. After careful surveys, both nations have not only adopted single-level VATs but increased their rates (to 15 per cent and 17.65 per cent)!

VAT opponents drag out a great red herring —the idea that we can afford higher income taxes because we, as a nation, tax ourselves much less than other industrial nations. At best, this is a half-truth. Our indirect taxes (including sales taxes) do impose a lesser burden than those of Europe. However, our direct taxes (including income taxes) take a higher slice of national output than in most European nations. The newest data from the Organization for Economic Cooperation and Development show that only the welfare states of Scandinavia bear a higher direct tax load than the U.S. (computed as a percentage of total national output).

This point is vitally important. High corporate income taxes hinder the accumulation of capital for new factories, technology, equipment, and jobs. White House aides say that the need for increased capital accumulation and job creation is the number one reason for President Nixon's embrace of VAT in lieu of added income taxes. **Corporations in nations like Germany and Japan, where direct taxes are less of a burden, have an edge on U.S. competitors.**

European use of VAT also makes U.S. adoption vital to our own exporters. VAT nations impose sales taxes on imports, while rebating the taxes paid on goods sent out of the country. Today U.S. exporters receive no rebate on property taxes allocable to exported goods, nor would they receive pro rated rebates of any corporate tax hike. But if we go to VAT, then exporters will receive VAT rebates on exported goods that will make U.S. products more competitive in the marketplace.

These, then, are the pluses of VAT: Equitable school financing; a fairer tax burden than that imposed by the property tax; and facilitation of U.S. exports. Other clear benefits will accrue to farmers, who are now especially burdened by property taxes, to retired persons, and to homeowners whose children use parochial schools. One drawback of VAT is that it tends to be inflationary, but overall, the domestic and international balance sheet is highly favorable.

AFL-CIO LEGISLATIVE DEPARTMENT

THE 'VALUE-ADDED' TAX —A NATIONAL SALES TAX

1972 FACT SHEET NO. 2

The Administration again is floating trial balloons advocating a "new" tax—a so-called value-added tax.

This tax is a national retail sales tax masquerading under a new name.

It could completely destroy the thin margin of equity that remains in the federal tax structure.

This tax has been, and still is, the perennial favorite of those who feel the federal corporate and individual income-tax system overburdens wealthy individuals and businesses and treads too lightly on those whose incomes are modest and have few, if any, escape hatches.

In 1966 the Committee for Economic Development, a business-supported research organization, brought the first flurry of attention to the tax. According to the CED's 1966 recommendations, a value-added tax should be substituted for a part of the corporate income tax.

In 1968 the value-added tax enjoyed another round of attention. This time it was offered as a means to improve our balance-of-payments position. The excuse was that Europeans enjoy a competitive advantage since, under the rules of GATT, governments can reimburse businesses for direct taxes (those on consumption) on goods for export but indirect taxes (income taxes) cannot be rebated.

And, ever since the Nixon Administration took office, the value-added tax has continually maintained a position of prominence among a varied array of tax proposals and tax trial balloons—proposals which in the main were geared to shifting ever more of the nation's tax burden away from business and the wealthy and onto the backs of moderate- and middle-income individuals.

Ironically, right upon the heels of the huge Administration-sponsored business-tax giveaways of the 1971 Revenue Act the value-added tax is once again being touted. This time the ploy is to exploit current taxpayer dissatisfaction with the property tax.

If enacted, the effect would be to put the federal government firmly in the sales-tax business and heap a still larger share of the tax burden on the shoulders of low- and middle-income wage earners.

What the Tax is Not: Value added is not a new way of taxing—it is merely a different method of collecting a sales tax. The tax burden falls entirely on the consumer, and all the regressive attributes of sales taxes apply to the value-added tax. According to Stanley Surrey, former Assistant Secretary of the Treasury, such taxes ". . . are in fact sales taxes in their structural design and economic effects."

How It Works: The sales taxes familiar to most Americans are applied at one time, at the last (retail) stage of the production and distribution cycle.

Under the value-added system, a piece of the tax is collected at each stage and, through a complicated process of rebates, credits and price adjustments, it is bucked forward to each business involved in the production and distribution system. Since the final consumer receives no rebate and has no one to pass the tax on to, he bears the full burden—the same as he would under a retail sales tax.

In principle, the value added by each business involved in the production and distribution of an item equals the item's retail price. To determine the value-added of a particular firm, the idea is to separate the value of that firm's input to the product from the value of the inputs of its suppliers.

To figure its tax a firm would apply the tax rate to its total tales in order to find the "preliminary" tax due. From this amount the firm would subtract the taxes that were included in the price it paid on its purchases of raw materials, semifinished products, or component parts. This amount is subtracted from the preliminary tax due, and the remainder is the amount the firm owes the government. The full tax (the amount paid to the government and the amount paid to its suppliers) is added to the selling price of the firm's goods. The result is that the firm has paid a piece of the tax directly to the government, reimbursed its suppliers for the taxes they paid, and passed the entire amount on to the purchasers of its products. **The firm has no tax burden.**

This process continues from firm to firm until the product reaches the consumer. The consumer receives no rebate, cannot pass the tax on to anyone else, and therefore bears the full burden of the tax.

A 5 percent value-added tax on an item retailing for $200 would be collected as follows:

	Selling Price Excl. Tax	Selling Price Incl. Tax	Value Added	Preliminary Tax Due (5% of Selling Price)	Less Taxes Paid on Purchases	Amt. Recd. By Govt.	Amt. Passed on to Next Stage	Tax Burden
Mfr.	$100	$105.00	$100	$ 5.00	—	$ 5.00	$ 5.00	$0
W'saler	125	131.25	25	6.25	$5.00	1.25	6.25	0
Retailer	200	210.00	75	10.00	6.25	3.75	10.00	0
						$10.00		

Result: The consumer pays $210 for the item; the government has received its $10 in three pieces —from the manufacturer, the wholesaler and the retailer; but the entire burden of the tax has fallen on the consumer.

If in the above example of the $200 item the retailer were an exporter, the government would not receive its $10. The exporter would not pay any tax to the government on that item and it would receive a rebate for the $6.25 in taxes it paid on the purchases of the materials that went into the exported item. Thus if a value-added tax were adopted and rebates given on exported items, the result would be that no tax would be paid by American producers or foreign purchasers of American goods. In other words, the value-added mechanism is sort of a back-door type currency devaluation that assures that the burden is limited solely to U.S. consumers.

Currently the federal budget and the economy are in trouble and the Administration is groping for new revenue sources. At the same time, the Administration is working within the framework of a philosophy that even more of the nation's tax burden should be shifted toward middle- and moderate-income workers and consumers and away from corporations. The value-added tax fits this framework.

The AFL-CIO Position: Additional consumer taxes can erode the equity of the nation's tax structure as seriously as additional loopholes.

Consumer taxes exact their burden from low- and moderate-income groups who must spend all or most of their income. Wealthy individuals who can save and invest shelter much of their income from the tax. We see no justification to add to the tax burdens of those with modest incomes or put the federal government in the sales-tax business.

What is more, after the recent business-tax cutting contained in the Revenue Act of 1971, the value-added tax, even if veiled as a means to reduce the property tax, is in actuality a foot in the door to a further erosion of the share of taxes paid by businesses and a further shift in the tax burden from businesses and their owners to individual workers and consumers.

It is for these reasons that the AFL-CIO at its recent Convention unanimously urged "a continuing vigil to assure the rejection of all tax devices and gimmicks that run counter to the goals of tax justice. These include proposals such as the value-added tax, which is simply a national sales tax masquerading under a new name, or the addition of new, so-called business tax-incentive schemes. Such measures are haphazard, costly and wasteful approaches to meeting national goals. They reward those who need it least, at the expense of those who need it most."

THE COST OF A VALUE-ADDED TAX

A 5 percent value-added tax would cost the average American family of four about $200 per year.

Such a tax would be equivalent to reducing the recently-raised income tax personal exemption from $750 down to $500 per person—a family loss of $1,000 in personal exemptions.

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
IS THE VALUE-ADDED TAX ESSENTIALLY A SALES TAX PAID BY CONSUMERS?		
. Yes, that is how it works out. It is a way of taxing, by installments, what people spend for goods and services. The tax is collected on the value of sales at every level of production and distribution. But each purchaser along the line recovers the tax he has paid, by deducting that amount from the tax he is required to pay on his own sales. So the tax is passed along from one businessman to the next. Most of the burden finally winds up on the ultimate consumer—though in a highly competitive line of business some of the tax might be absorbed before the final sale.	. In discussing this question, students should understand that VAT essentially is a national sales tax. However, if competition gets rough, the vendor might absorb the tax. The vendor of merchandise or services is required by law to add on sales taxes to the retail price.	. U.S. News and World Report, pp. 27, 28, June 21, 1971
IS THIS BURDEN ON THE CONSUMER A MAJOR OBJECTION TO VAT?		
. It is a disadvantage most often cited by critics, including representatives of consumer groups and labor organizations. They say that a value-added tax is "regressive"—that is, it falls hardest on low-income families that may be least able to afford the burden.	. Discuss: Should persons in the low-income brackets be given an allowance for VAT taxes in figuring their Federal income taxes?	. U.S. News and World Report, pp. 27, 28, June 21, 1971

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
COULD ESSENTIAL ITEMS BE EXEMPTED FROM THE VAT?		
. Yes. Tax planners say such important cost-of-living items as food bought for serving at home, and drugs and medical supplies might be free from the tax.	. Refer to the Pechman article on page 79 of this publication. Would Pechman favor exempting certain items from the value-added tax? Or does he suggest another method?	. U.S. News and World Report, June 21, 1971
. In practice, most countries with a value-added tax put a lower rate on certain key consumer goods to prevent too heavy a burden from falling on low-income people. In West Germany, for example, the standard VAT rate is 11 percent, but the rate on goods and services defined as "essential" is 5.5 percent.		
WHAT OTHER OBJECTIONS HAVE BEEN MADE TO VAT?		
. Critics say it would generate a "blizzard of paper work." Sellers would have to collect taxes from buyers and keep detailed records of tax payments to suppliers.	. Prepare a transparency listing advantages and disadvantages of VAT and use this as a basis for student discussion.	
. Prices might sometimes rise more than the tax warranted.		
. Federal Government would invade a revenue source traditionally reserved for State and local governments.	. After discussing the pros and cons, ask students to VOTE on the question, Should Congress pass a VAT tax law?	

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
WHAT ADVANTAGES ARE CLAIMED FOR VAT?		
. The tax is capable of raising huge sums of money. . VAT eliminates many opportunities for tax evasion. . A company must pay the VAT whether or not it makes a profit. . U.S. exports may become more competitive because exporters would receive a VAT rebate on goods exported.	. Question: What is the difference between tax evasion and tax avoidance? . A corporation sells $10 million worth of goods but its costs and expenses amount to $11 million. Does this company pay income taxes? Would it pay taxes if a value-added tax were enacted into law?	. U.S. News and World Report, June 21, 1971
MAY A STATE IMPOSE A VALUE-ADDED TAX?		
. Yes. Some states already are looking into the matter.	. Question: If property taxes were reduced, would you favor a VAT tax?	

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE

COULD A VALUE-ADDED TAX REPLACE THE FEDERAL INCOME TAX?

. If the rates were high enough, it could. But, if VAT is enacted, it probably would supplement present tax collections rather than replace them.

. Question: If a VAT were adopted by the Federal Government in place of the income tax, would we have a more progressive or a more regressive tax system?

The Wall Street Journal carried an article on value-added taxes in the September 21, 1972, issue. Part of this article appears below:

Although the Nixon administration is shying from talk about any sort of new tax during the heat of the presidential campaign, key officials have hinted a preference for a very simple, single-rate value added tax, or VAT. In trying to make a VAT politically palatable, however, the administration might well have to compromise in Congress by offering more favorable rates or exemptions for some items.

There's just a glimmer of softening of liberal opposition should the VAT be proposed in a "progressive" form, designed to hit the rich more than the poor. If there were higher percentage rates on bigger, more powerful cars, a VAT would "require larger contributions from those who make greater demands on the nation's resources," suggests New Republic Magazine writer Melville J. Ulmer. "Interesting, interesting," murmurs a Nixon official.

Similarly, a higher VAT on higher-priced products might appeal to liberal lawmakers who complain that the wealthy manage to avoid the progressive federal income tax, through such devices as the tax exemption for interest from municipal bonds. It is the ultimate consumer who bears the burden of a VAT, experts generally agree; each business collects the tax from its customers and gets rebates from the government for the VAT it has paid to suppliers.

The hardest decision is whether to have a VAT or not, and the answer remains uncertain even in a second Nixon term. A VAT is not "at the top of the list" of probable ways to pay for local property tax relief, but "I am not ruling out anything," top White House domestic aide John Ehrlichman said recently. Democratic presidential nominee George McGovern is dead set against a VAT, and Democratic economic adviser Arthur Okun flatly predicts that "regardless of the outcome of the election, no Congress will pass a VAT."

A Matter of Time?

Still, European fiscal officials think it is only a matter of time before the U.S. gets in step. Before long, the U.S. will be the only Western power lacking a VAT (Britain is committed to launch one on Jan. 1 as it enters the Common Market), and Japan is expressing interest in the idea. An American VAT with rates comparable to the European ones would make for even-handed competitiveness in world trade, continental officials argue.

If the U.S. does overcome its reluctance to the VAT, that will hardly be the end of the agonizing; the question of rates will be almost as touchy. "From the technical point of view of administering the tax, a flat rate is the best," says K. Millenaar, a top tax official of the Netherlands finance ministry in The Hague. "But from the standpoint of fiscal righteousness, of fair play, you have to have different rates, to make a distinction between necessary goods and luxury goods."

REAL PROPERTY TAXES

BACKGROUND MATERIAL

Homeowners, businessmen, farmers, and landlords often are heard to complain about the high taxes they pay on the real property they own. Yet, many property owners really are not too familiar with the costs of providing municipal services or the costs of operating a school. Neither do they know exactly where the money comes from to pay local government and school costs.

How many taxpayers, for example, are familiar with the contribution which sales and use taxes make toward paying the costs of local government; or, how much is received in State aid to help pay for the operation of local schools? Money received from these sources and Federal revenue-sharing plays an important part in financing municipal and school programs.

Some people grumble about waste in government. Yet, they rarely, if ever, attend a public meeting to voice their opinions or to communicate their concerns to public or school officials.

Today, a substantial portion of the money we earn is paid in taxes. It is just as important to develop an understanding of taxes as it is to exercise good judgment in the way we spend the money which is left after taxes are paid.

Real property taxes provide a major source of funds to pay for local government and school costs. Certainly taxpayers ought to take an active interest in their local government and school affairs so that they may know whether or not their tax money is being spent wisely.

High school students may not, at first, appear to be particularly concerned with a subject like real property taxes. This may be due, in part, to the fact that many teachers have neglected to approach this subject in any but a superficial manner. Yet, if instructors would concentrate on presenting materials that are available locally from municipal agencies and school districts, they would find a wealth of materials that may stimulate student interest and participation. Also, recent court decisions at the state and Federal levels pertaining to the constitutionality of present methods of financing school costs should elicit stimulating student discussions.

Some of the suggested objectives which students may be expected to achieve from studying the materials presented in this unit are to learn the meaning of such terms as

(1) property
(2) real property
(3) personal property
(4) full valuation
(5) assessed valuation
(6) tax rate
(7) equalization rate
(8) tax lien
(9) budget
(10) amount to be raised by taxes, etc.

In addition, the student will

- know how increases in taxes may affect rents
- know that senior citizens now are afforded some relief from real property taxes
- know some of the advantages and disadvantages of real property taxes as a means of providing money to pay local government and school costs
- become familiar with the burdens which real property taxes impose on certain taxpayers
- know which levels of government are financed by real property taxes and which are not
- be able to calculate the tax rate when the amount to be raised by taxes and the assessed valuation are known
- know how to use an equalization rate to estimate taxes or to determine if the assessed valuation is reasonable
- develop some understanding of the deficiencies of our tax system in providing equal educational opportunities
- know how to use the grievance procedure provided by law
- know about the losses which may be incurred by a property owner for failure to make timely payment of his taxes.

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
WHAT IS THE MEANING OF THE TERM "PROPERTY"?		
. Property is something owned.	. Students may respond by defining real estate as property. They should learn that real estate is only one form of property, i.e., real property. An individual also may own personal property.	. Webster's Collegiate Dictionary . Property is "any valuable right or interest protected by law."
WHAT ARE THE MAIN TYPES OF PROPERTY?		
. Real and personal	. Ask students to consider the school as "property" and decide which items are real property and which personal. (The building, land, heating equipment, and other fixtures permanently applied are	. Lavine, A. Lincoln, "Manual on Commercial Law," or any high school or college business law textbook. . Land and things connected to the land are real property. This includes minerals, water, trees, etc.

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
	real. Movable property, such as desks, chairs, maps, chalk, books, etc., is personal.	
IS PERSONAL PROPERTY TAXED IN NEW YORK?		
. No. . Some states levy a tax on personal as well as real property.	. Question: Suppose New York State levied a tax of 2 percent on personal property. Would this be a proportional, progressive, or regressive tax? (Answer: Probably proportional)	. Refer to sections of this publication on budgeting and sales tax for an explanation of proportional, progressive, and regressive taxes.
WHAT IS THE MEANING OF THE TERM "TITLE"?		
. Title denotes ownership.	. Assign a student to look up the meaning of the word "title" in a business law textbook and explain it to the class.	. Business law textbooks
DOES THE PERSON WHO RENTS PROPERTY HAVE TITLE TO THE PROPERTY HE RENTS?		
. No. The tenant merely is in possession of the property.	. Question: If Andrews (tenant) rents a house from Smith (landlord), who has title to the property?	. Even though a person does not own the house or apartment in which he lives, he is entitled to the "quiet and peaceful enjoyment" of the property while he legally is in possession.

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
WHO IS RESPONSIBLE FOR PAYING THE REAL PROPERTY TAX?		
. Whoever has title — the owner.	. In the above situation, who is responsible for paying the real property tax, Andrews or Smith? (Answer: Smith)	. The tenant legally is responsible for paying the rent; the owner legally is responsible for paying the taxes.
WHAT HAPPENS IF THE OWNER PAYS HIS TAXES AFTER THEY BECOME DUE?		
. He must pay a late penalty in addition to the tax.	. Sampson owns a house which he rents to Valle. Sampson pays his taxes 90 days after they are due. What happens? (Answer: Sampson must pay a penalty in addition to the taxes.)	. Penalties are imposed for late payment of taxes to "encourage" property owners to pay on time.
	. Ask students whose parents own a house to find out what penalty they must pay for late payment of taxes.	
WHAT HAPPENS IF THE OWNER FAILS TO PAY HIS TAXES?		
. The government may impose a tax lien to secure payment of taxes.	. Cities, counties, and villages advertise property on which taxes have not been paid. Obtain a copy of such a list for student examination.	. Lavine, A. Lincoln, "Manual on Commercial Law," Prentice-Hall

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
. If the tax remains unpaid, the government may sell the property to collect the taxes.	. Invite a local government official to talk to the class about tax sales and the importance of paying real property taxes on time.	. A tax lien is a legal device by which the government may control property until past due taxes are paid or satisfied through sale of the property.
. The purchaser of foreclosed property receives a valid tax title.	. Ask a student to find out what is meant by foreclosure and have him explain it to the class. The law teacher or an attorney will assist if needed.	. If the government puts a lien on property, the owner no longer has a clear title to his property. Before he can convey a clear title, the lien must be satisfied. . Sainer, A. L., "The Substantive Law of New York," Central Book Company, 850 Central Avenue, Brooklyn, New York . Foreclosure may result from (1) failure to pay taxes or (2) failure to pay the interest or principal on a mortgage when due.
WHAT BRANCHES OF GOVERNMENT LEVY REAL PROPERTY TAXES?		
. Cities, towns, villages, and schools levy taxes on real property. . The State of New York and the Federal Government do not.	. Ask students to find the tax rates charged by various units of their local government(s) and the school district. Use this information to calculate real property taxes. . Question: What are the sources of State and Federal revenue?"	. Local government clerks and school business officials can supply copies of budgets. . In the 1800's and early 1900's, the State taxed real property. Now, this source of revenue largely is reserved to local governments and school districts, although some states still tax property, both real and personal.

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
HOW DO LOCAL GOVERNMENTS USE THE MONEY THEY COLLECT IN TAXES?		
. Local real property taxes provide the government with money to pay employees' salaries, to purchase supplies and equipment, to pay the interest and/or principal on borrowed money, and to carry on the other business of the city, town, or village.	. Prepare a list of goods and services typically purchased by local governments. . Question: Do all governmental expenditures for goods and services contribute to the well-being of those who pay taxes? (Discuss such questions as: Do taxpayers who have no children benefit from paying school taxes on real property? What benefit does a city taxpayer receive whose tax money is used to build a highway in a rural area? etc.)	. Without taxes we would have to forego services such as police and fire protection, municipally furnished water, sewers, street lighting, garbage collection, and education.
WHAT FACTORS INFLUENCE THE AMOUNT OF MONEY TO BE RAISED BY LOCAL REAL PROPERTY TAXES?		
. Kind and quality of services provided . Amount of State aid to local governments . Amount of State aid to school districts . Other income received, such as local sales tax, collected by the State and returned to localities	. Ask students to explain why taxes on real property are higher in some communities than others. (Discuss: (1) kind and quality of services, (2) differences in property values, (3) purchasing efficiency, (4) facilities provided, (5) corruption, dishonesty, etc.)	. Local government and school budgets . The amount to be raised by taxes is determined by the variety of services and facilities provided by the government.

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
	. Question: How does the State supervise the financial administration of local governments and school districts? (Division of Audit and Control examines records to assure that funds are spent legally and that accurate financial records are kept.)	. Income from sales tax and State aid decreases the amount to be raised by taxes at the local level. . The administration of local government and school financial affairs is subject to review by the State comptroller's office, Division of Audit and Control.
HOW ARE TAX RATES DETERMINED ON REAL PROPERTY?		
. A tax assessor establishes an assessed value for each parcel of real property in the community. . To find the tax rate, divide the total assessed value into "the amount to be raised by taxes." (See case problem below.)	. Question: What part does the tax assessor play in determining the tax rate? . Question: How is the amount to be raised by taxes determined? (Subtract "income from outside sources" from anticipated expenditures. The difference is the amount to be raised by taxes.)	. The tax assessor plays an important role in determining the tax rate and the amount of taxes an owner of real property will have to pay.

A REAL LIVE PROBLEM

The following information was obtained from the 1972-73 budget of the Village of Altamont, Albany County, New York:

(1) Estimated expenditures $193,534.09
(2) Estimated income other than real property taxes $148,311.09
(3) Assessed value of real property $1,143,033.00

Question: What was the tax rate per $1,000 of assessed valuation?

(See next page for answer)

Answer to case problem

Estimated Expenditures	$193,534.09
Less: Income from sources other than real property taxes	148,311.09
Amount to be raised by taxes	$ 45,223.00

Finding tax rate for each $1 of assessed valuation

$$\frac{\text{Amount to be raised by taxes}}{\text{Total assessed valuation of real property}} = \frac{\$\ 45{,}223}{1{,}143{,}033} = .039564 =$$

Tax rate per each $1 of assessed valuation

Finding the tax rate for each $1,000 of assessed valuation

.039564 x 1,000 = $39.564 = tax rate per thousand of assessed valuation

PROOF: $\frac{\text{Total Assessed Valuation}}{1{,}000}$ x TAX RATE per thousand = Amount to be raised by taxes =

$$\frac{\$1{,}143{,}033}{1{,}000} = 1143.033 \times 39.564 = \$45{,}223.00$$

How To Use the Tax Rate

PROBLEM: The assessed valuation on a residence owned by Leonard and Virginia Katz is $3,000. If they live in the Village of Altamont, how much would they have to pay the Village in real property taxes for 1972-73?

SOLUTION: $\frac{\$3{,}000}{\$1{,}000} = 3 \times \$39.564 = 118.69$

NOTE: In addition to village taxes, they also would have to pay county, town, and school district taxes on their house.

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
IS THE ASSESSED VALUE OF REAL PROPERTY EQUAL TO THE FULL VALUE?		
. Generally, no.	. Problem: The total assessed value of real property in a town, as determined by the tax assessor, is $3 million. The total full value of real property, as	. Write to State of New York, Board of Equalization and Assessment, 155 Washington Avenue, Albany, N.Y. 12210, for a copy of "Principles and

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
. The assessed value frequently is only a fraction of the full value. . Full value is market value (the price that would be paid by a willing buyer to a willing seller).	determined by the State Board of Equalization and Assessment, is $12 million. What percent of the total full value is the assessed value? (Answer: 25 percent. This is called the equalization rate.)	Procedures Used in Establishing State Equalization Rates." . The equalization rate "indicates the percentage of full value at which the assessor in a locality is assessing, on the average."
WHAT IS AN EQUALIZATION RATE?		
. The relationship between the full value and the assessed value (expressed as a percent) is the equalization rate.	. Problem: The full value of a piece of real property is $25,000. The equalization rate is 20 percent. What is the approximate assessed value? (Answer: $5,000)	. Since equalization rates are determined on a townwide basis and involve averaging and other factors, this exercise may not be realistic in any actual situation.
IF YOU KNOW THE EQUALIZATION RATE AND THE ASSESSED VALUE, HOW DO YOU FIND THE FULL VALUE?		
. The assessed value divided by the equalization rate equals the full value.	. Problem: The assessed value is $5,000. The equalization rate is 20 percent. What is the full value? (Answer: $5,000 ÷ .20 = $25,000)	. "Principles and Procedures Used in Establishing State Equalization Rates," pp. 4-5
IF YOU KNOW THE RECENT MARKET PRICE OF A PIECE OF PROPERTY, HOW CAN YOU ESTIMATE THE COST OF PROPERTY TAXES?		
. Easy formula: (MV x ER x TR = Est. Tax) Where: (MV = market value) (ER = equalization rate) (TR = tax rate) (EST. TAX = Estimated amount of real property taxes)	. Example: Sam and Randy Jackson are interested in buying a new house. They find one they like which is offered for $22,000. Approximately what will their total annual	. Knowing how to estimate property taxes is important to the prospective purchaser of a home.

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
	real property taxes be if the equalization rate is 30 percent, the town tax is $49 per thousand, and the school tax is $68 per thousand. (Answer: $772.20)	. If monthly payments to the mortgager (generally a bank or savings and loan association) do not include property taxes, the prospective purchaser must add this amount to his anticipated expenses for financing the purchase of a house.
	. Question: "What would the monthly real property tax amount to for Sam and Randy?" (Answer: $64.35)	
HOW CAN THE EQUALIZATION RATE BE USED TO JUDGE THE RELATIVE FAIRNESS OF THE ASSESSED VALUE OF TWO PIECES OF PROPERTY?	. Knowing the equalization and tax rates will help one to judge the relative fairness of assessments.	
	Illustration: Lawyer Brown purchased a completely remodeled, old colonial house for $50,000. His neighbor, Sid Eckert, paid $28,000 for his new ranch. Brown's colonial is assessed at $8,000. Eckert's ranch is assessed at $5,600. Are these fair assessments? (Note: The equalization rate in this community is 20 percent.)	. Knowing how to use equalization rates can be useful to citizens in judging whether the assessed value of their property is fair compared to other properties in the same community.
	. Solution: Brown's house seems to be underassessed. It should be assessed at about $10,000 ($50,000 x .20 = $10,000). Eckert's house is correctly assessed ($28,000 x .20 = $5,600).	

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
WHAT ARE SOME OTHER PURPOSES FOR WHICH EQUALIZATION RATES ARE USED?		
. Distribution of State aid to localities including State aid for education and highways . Determining limitations on local taxing and borrowing power . Equalization of railroad property assessment ceilings	. Problem: A school district, outside a city, has a total average assessed valuation of $2,500,000. The debt limit set by State law is 10 percent of the full valuation. What is the amount of the debt limit if the equalization rate is 20 percent? (Answer: $\frac{\text{Assessed Valuation}}{\text{Equalization Rate}} = \text{Full Valuation}$ $\frac{\$2,500,000}{.20} = \$12,500,000$ (Full Value) $\$12,500,000 \times .10 =$ $\$1,250,000$ (Debt Limit)	. "Principles and Procedures Used in Establishing State Equalization Rates," p. 4 . McKinney's Consolidated Laws of New York, Book 33, Local Finance Law, Sections 104 and 137 . Local school business officials can supply data concerning debt limits, outstanding bonds, etc.
WHAT IS THE GRIEVANCE PROCEDURE?		
. Citizens may use the grievance procedure provided by New York law to complain about the amount for which their property is assessed.	. Appoint a committee of students to visit the office of local assessors to obtain information regarding grievance procedures and report their findings in written or oral form to the class.	. Refer to the real property tax law which may be found in the (1) Consolidated Law Service or (2) McKinney's Consolidated Laws of New York for information regarding grievance procedures.

The following are excerpts from an article which appeared in the Times-Union, Albany, New York, February 11, 1973.

Regents Seeking To Close Aid Gap

report on
EDUCATION

For the 1973-74 school year, the Regents have proposed a comprehensive plan to reform the state aid formula for public elementary and secondary education. The overall package is aimed at eliminating many of the inequities in the present aid formula and closing the expenditure gap between the wealthier and poorer school districts within the state.

Basically, the plan involves an increase in the state aid operating ceiling, special assistance for disadvantaged and handicapped students and vocational education programs, and a limit on the amount by which local districts can increase their spending. It matches state aid to educational need more directly than ever before.

IN ARRIVING AT THEIR recommendations, the Regents carefully considered the findings of the Fleischmann Commission and recent court cases which have found that current spending patterns result in grossly unequal expenditures per child. The number of dollars available to support a child's education should not be dependent upon the choice his parents made in regard to residence, the Regents maintain.

Rather, they contend, support of educational costs should be based largely upon educational need.

The Regents cite the large disparity in operating expenditures among school districts in the state and say this is largely based on a district's wealth. The range of operating expenditures in 1970-71 was from a low of $700 per pupil to more than $2,200 per pupil.

FURTHERMORE, they show that tax rates on full value among the state's school districts ranged from **$9.03 per thousand** to $38.27 per thousand in 1970-71. The low rate was in a wealthy district with $103,288 of full valuation behind each child. The high rate was in a poor district with $7,636 of full valuation behind each child. The difference in locally raised revenue per child was $685.

"Wealthy districts receive less state aid than poor districts, but the tax rates in the wealthy districts are less than the tax rates in the poor districts," the Regents point out. "Expressed in a different way, the wealthy districts can provide a quality program for a lower rate than the poor districts."

The table below appeared in the Albany Knickerbocker-News, Union-Star on November 14, 1972.

With the help of their instructors, students can make interesting comparisons from this table, such as the percentage of funds provided by State aid, the range of expenditures per pupil, average expenditures per pupil, etc. (Try to make calculating machines available for students to use.)

Wealth of Metroland School Districts

	Per Pupil Expenditures	Per Pupil State Aid	Property Value Per Pupil	Property Tax Revenue Per Pupil
Albany (CITY)	$1,792.24	$424.56	$54,672.72	$802.27
Bethlehem	$1,600.89	$449.76	$43,419.07	$915.18
Cohoes	$1,106.31	$584.68	$23,232.64	$460.36
East Greenbush	$1,430.04	$671.41	$21,305.91	$436.36
Guilderland	$1,736.49	$737.97	$20,092.04	$459.31
Mohonasen	$1,428.02	$837.98	$14,734.66	$340.12
Niskayuna	$1,488.35	$565.70	$30,136.83	$685.17
North Colonie	$1,476.00	$591.48	$29,241.22	$627.42
Rensselaer	$2,259.50	$597.02	$24,559.83	$309.60
Schenectady	$1,466.71	$636.95	$24,687.68	$530.09
Shenendehowa	$2,620.43	$847.29	$13,051.20	$228.16
Scotia-Glenville	$1,220.45	$753.22	$17,708.53	$427.91
South Colonie	$1,566.36	$695.33	$22,748.47	$472.83
Troy	$1,254.06	$607.45	$19,683.85	$447.26
Watervliet	$1,144.85	$562.36	$29,473.68	$342.38

Note: This chart excludes expenditures by private and parochial schools.

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
DO REAL PROPERTY TAXES PROVIDE AN EQUAL EDUCATIONAL OPPORTUNITY FOR ALL STUDENTS?		
. Recent State court decisions say, "No."	. The value of real property per pupil varies enormously in communities throughout New York State and many other states. Owners of real property in communities with low property valuations per pupil must assume a greater burden for providing equal educational opportunities than those in richer districts. Is this an equitable system of taxation? (Answer: Recent court decisions have stated that this is in violation of State law.)	. To provide equal educational opportunities to rich and poor students, per pupil expenditures should be approximately equal.
. But on March 21, 1973, the U.S. Supreme Court held that State laws are not void just because their benefits fall unevenly.		. New York Times, March 22, 1973, "Court, 5-4, Backs Schools in Texas on Property Tax"
. The New York State Board of Regents recommends closing the gap between rich and poor school districts in per pupil school expenditures.		. Per pupil expenditures vary enormously from one community to another.
. The percentage of total school costs paid by State aid has decreased.		. To correct this imbalance, the State would have to provide more State aid to poorer districts.
. New York State has used an equalization formula for distributing State aid to school districts. The Regents now are recommending updating this formula.		. In 1968-69 State aid provided 48.3 percent of school costs. In 1971-72, State aid provided only 42.8 percent of school costs. Property taxes have had to be increased to make up the difference.
	. Question: Should State aid be apportioned as a fixed dollar amount per student or should larger amounts per student be distributed to districts with less wealth? (Answer: To provide "equal educational opportunity" without overburdening taxpayers in poor districts, it is necessary to apportion more State aid per student in the poorer districts.	. Johns, R. L., "The Coming Revolution in School Finance," Phi Delta Kappan, 9/72

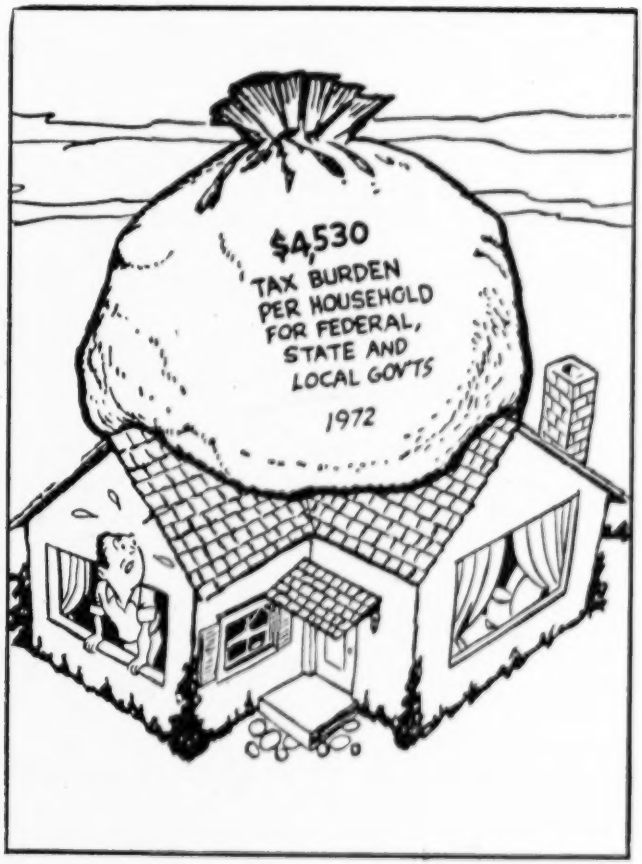
UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
ARE SENIOR CITIZENS ELIGIBLE FOR TAX RELIEF ON THEIR HOMES?		
. Many communities have enacted legislation, as permitted by State law, to decrease real property taxes for homeowners over age 65.	. Ask students to find out if senior citizens in their community are eligible for a reduction in the real property taxes on their homes. If they are, have them find out the specific provisions of the local law. . Question: May senior citizens apply for a reduction on their school taxes as well as local municipal real property taxes?	. Contact local city, town, or village officials to find the local law on this matter.

FEDERAL
AND
NEW YORK STATE
INCOME TAXES

THE ALTAMONT ENTERPRISE
and ALBANY COUNTY POST

FRIDAY, JUNE 2, 1972

A CRUSHING BURDEN



TAX LOAD REACHES NEW HIGH

Bedraggled American taxpayers are having another record thrust upon them.

Each household will average $4,530 in state, local and federal taxes for fiscal 1972, according to the Tax Foundation. That's up $200 from 1971 and is, once again, an alltime high.

This year's hike is due to boosts in social security taxes and state and local taxes, which will more than devour some relief we all enjoy in our federal income tax load, the Tax Foundation said.

In the past ten years estimated total taxes have increased 77.5 percent per household. Total current tax payments at all levels (Federal, state, and local) amount to $295 billion — 6.5 percent above fiscal 1971.

The spending side of the picture is even more startling. The Foundation predicts total spending to rise by 12 percent from $363 billion in 1971 to $405 billion in 1972. This means, of course, deficits at all levels of government and, probably, higher taxes in the future to help pay the interest on money governments must borrow to pay their bills.

This accelerating tax burden is very nearly out-of-hand. It is estimated that 71 percent of the federal budget is "uncontrollable" — that it involves spending already committed by previous Congresses. If Congress won't call a halt, others will have to by refusing to send the "big spenders" back for another spending spree.

Federal and New York State Income Taxes

Eventually almost every student will prepare income tax returns. Many students already have jobs and pay social security taxes. If they continue to live or work in New York State, they will file both Federal and New York State income tax returns.

Millions of wage earners pay someone else to prepare their returns. This may be convenient or desirable. But, with a few weeks of instruction, a student can easily learn to prepare a simple tax return. He should also learn how to avoid paying more taxes than are required by the tax law.

Fortunately, the Internal Revenue Service has developed all of the teaching materials needed for an excellent program in Teaching Taxes. For copies of these materials, teachers should contact the nearest office of the United States Treasury Department, Internal Revenue Service. There is no charge for the Teaching Taxes program.

Instructions and forms for preparing New York State income tax returns also are available at local banks and post offices. They are also obtainable by writing directly to Income Tax Bureau, The State Campus, Albany, N.Y. 12227. Specify which forms you need by form number.

Specific instructions for preparing income tax returns have been omitted from this publication to avoid duplication with the materials mentioned above. However, suggested objectives for teaching this unit are included as well as materials pertaining to income taxes as they relate to the overall tax system.

As a result of studying the materials referred to in this unit, students should

- be able to prepare simple Federal and New York State individual income tax returns
- learn how to obtain a refund for overpayment of taxes
- learn when an amended return should be filed
- know how the Federal and State governments use the tax money which they collect (See "Budgeting" in this publication.)
- know what deductions from adjusted gross income may be taken by taxpayers who itemize deductions
- know when it is desirable to itemize deductions rather than use the standard deduction
- know when it is desirable for married taxpayers to file a joint return
- know how to handle excess FICA payments on their tax returns
- know when progressive income and FICA taxes first were introduced into our tax system and the reasons for each
- know what is meant by a tax surcharge

- realize the importance of doublechecking returns to avoid arithmetical errors, omissions, etc.
- be familiar with the procedures used by the government to detect tax evasion
- know the penalties for cheating on a tax return
- know what records a taxpayer should keep

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
IS THE UNITED STATES THE ONLY COUNTRY THAT LEVIES AN INCOME TAX?		
. No.	. Ask a committee of students to prepare a report on topics such as (1) Countries that levy income taxes, (2) The history of income taxes in the United States, etc.	. Encyclopedia Britannica, 1967 edition, Vol. 12, p. 18 . Canada, Great Britain, Italy, France, Australia, and others have imposed income taxes. Recently, several European countries have levied value-added taxes (VAT).
IS NEW YORK STATE THE ONLY STATE THAT LEVIES AN INCOME TAX?		
. No.	. Question: Is an individual's total income used as the base for figuring his income tax? (Answer: No. He should subtract either a standard deduction or itemized deductions as well as personal exemption(s) to find his taxable income.)	. Encyclopedia Britannica, Vol. 12, p. 21 . By 1972, all but six of the states had imposed some form of personal income tax. In 10 states, including New York, it produced more than 20 percent of total state taxes.

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
IS NEW YORK CITY THE ONLY CITY THAT HAS LEVIED A TAX ON INCOMES?		
. No.		. Encyclopedia Britannica . Cities in Alabama, Delaware, Kentucky, Maryland, Michigan, Missouri, Ohio, and Pennsylvania also have levied income taxes.
ARE FEDERAL AND NEW YORK STATE INDIVIDUAL INCOME TAXES REGRESSIVE, PROPORTIONAL, OR PROGRESSIVE?		
. Both are progressive.	. Review meaning of regressive, proportional, and progressive tax. . Refer to Federal and New York State tax rate schedules on the next page. Duplicate copies and distribute to students. Have them answer the test yourself questions.	. Federal Income Tax Forms, Tax Rate Schedules, X, Y, and Z . New York State Income Tax Forms IT-201-P, Tax Rate Schedule

FEDERAL

1973 Tax Rate Schedules

For individuals who do not use the tax tables (see 1972 Instructions for Form 1040).

SCHEDULE X—Single Taxpayers Not Qualifying for Rates in Schedule Y or Z

If the amount on line 3, Estimated Tax Worksheet, is: Enter on line 4, Estimated Tax Worksheet:

Not over $500....14% of the amount on line 3.

Over—	But not over—		of excess over—
$500	$1,000	$70+15%	$500
$1,000	$1,500	$145+16%	$1,000
$1,500	$2,000	$225+17%	$1,500
$2,000	$4,000	$310+19%	$2,000
$4,000	$6,000	$690+21%	$4,000
$6,000	$8,000	$1,110+24%	$6,000
$8,000	$10,000	$1,590+25%	$8,000
$10,000	$12,000	$2,090+27%	$10,000
$12,000	$14,000	$2,630+29%	$12,000
$14,000	$16,000	$3,210+31%	$14,000
$16,000	$18,000	$3,830+34%	$16,000
$18,000	$20,000	$4,510+36%	$18,000
$20,000	$22,000	$5,230+38%	$20,000
$22,000	$26,000	$5,990+40%	$22,000
$26,000	$32,000	$7,590+45%	$26,000
$32,000	$38,000	$10,290+50%	$32,000
$38,000	$44,000	$13,290+55%	$38,000
$44,000	$50,000	$16,590+60%	$44,000
$50,000	$60,000	$20,190+62%	$50,000
$60,000	$70,000	$26,390+64%	$60,000
$70,000	$80,000	$32,790+66%	$70,000
$80,000	$90,000	$39,390+68%	$80,000
$90,000	$100,000	$46,190+69%	$90,000
$100,000	.....	$53,090+70%	$100,000

SCHEDULE Y—Married Taxpayers and Certain Widows and Widowers

Married Filing Joint Returns and Certain Widows and Widowers

If the amount on line 3, Estimated Tax Worksheet, is: Enter on line 4, Estimated Tax Worksheet:

Not over $1,000..14% of the amount on line 3.

Over—	But not over—		of excess over—
$1,000	$2,000	$140+15%	$1,000
$2,000	$3,000	$290+16%	$2,000
$3,000	$4,000	$450+17%	$3,000
$4,000	$8,000	$620+19%	$4,000
$8,000	$12,000	$1,380+22%	$8,000
$12,000	$16,000	$2,260+25%	$12,000
$16,000	$20,000	$3,260+28%	$16,000
$20,000	$24,000	$4,380+32%	$20,000
$24,000	$28,000	$5,660+36%	$24,000
$28,000	$32,000	$7,100+39%	$28,000
$32,000	$36,000	$8,660+42%	$32,000
$36,000	$40,000	$10,340+45%	$36,000
$40,000	$44,000	$12,140+48%	$40,000
$44,000	$52,000	$14,060+50%	$44,000
$52,000	$64,000	$18,060+53%	$52,000
$64,000	$76,000	$24,420+55%	$64,000
$76,000	$88,000	$31,020+58%	$76,000
$88,000	$100,000	$37,980+60%	$88,000
$100,000	$120,000	$45,180+62%	$100,000
$120,000	$140,000	$57,580+64%	$120,000
$140,000	$160,000	$70,380+66%	$140,000
$160,000	$180,000	$83,580+68%	$160,000
$180,000	$200,000	$97,180+69%	$180,000
$200,000	.....	$110,980+70%	$200,000

Married Filing Separate Returns

If the amount on line 3, Estimated Tax Worksheet, is: Enter on line 4, Estimated Tax Worksheet:

Not over $500....14% of the amount on line 3.

Over—	But not over—		of excess over—
$500	$1,000	$70+15%	$500
$1,000	$1,500	$145+16%	$1,000
$1,500	$2,000	$225+17%	$1,500
$2,000	$4,000	$310+19%	$2,000
$4,000	$6,000	$690+22%	$4,000
$6,000	$8,000	$1,130+25%	$6,000
$8,000	$10,000	$1,630+28%	$8,000
$10,000	$12,000	$2,190+32%	$10,000
$12,000	$14,000	$2,830+36%	$12,000
$14,000	$16,000	$3,550+39%	$14,000
$16,000	$18,000	$4,330+42%	$16,000
$18,000	$20,000	$5,170+45%	$18,000
$20,000	$22,000	$6,070+48%	$20,000
$22,000	$26,000	$7,030+50%	$22,000
$26,000	$32,000	$9,030+53%	$26,000
$32,000	$38,000	$12,210+55%	$32,000
$38,000	$44,000	$15,510+58%	$38,000
$44,000	$50,000	$18,990+60%	$44,000
$50,000	$60,000	$22,590+62%	$50,000
$60,000	$70,000	$28,790+64%	$60,000
$70,000	$80,000	$35,190+66%	$70,000
$80,000	$90,000	$41,790+68%	$80,000
$90,000	$100,000	$48,590+69%	$90,000
$100,000	.....	$55,490+70%	$100,000

Schedule Z—Unmarried (or legally separated) Taxpayers Who Qualify as Heads of Household

If the amount on line 3, Estimated Tax Worksheet, is: Enter on line 4, Estimated Tax Worksheet:

Not over $1,000..14% of the amount on line 3.

Over—	But not over—		of excess over—
$1,000	$2,000	$140+16%	$1,000
$2,000	$4,000	$300+18%	$2,000
$4,000	$6,000	$660+19%	$4,000
$6,000	$8,000	$1,040+22%	$6,000
$8,000	$10,000	$1,480+23%	$8,000
$10,000	$12,000	$1,940+25%	$10,000
$12,000	$14,000	$2,440+27%	$12,000
$14,000	$16,000	$2,980+28%	$14,000
$16,000	$18,000	$3,540+31%	$16,000
$18,000	$20,000	$4,160+32%	$18,000
$20,000	$22,000	$4,800+35%	$20,000
$22,000	$24,000	$5,580+36%	$22,000
$24,000	$26,000	$6,220+38%	$24,000
$26,000	$28,000	$6,980+41%	$26,000
$28,000	$32,000	$7,800+42%	$28,000
$32,000	$36,000	$9,480+45%	$32,000
$36,000	$38,000	$11,280+48%	$36,000
$38,000	$40,000	$12,240+51%	$38,000
$40,000	$44,000	$13,260+52%	$40,000
$44,000	$50,000	$15,340+55%	$44,000
$50,000	$52,000	$18,640+56%	$50,000
$52,000	$64,000	$19,760+58%	$52,000
$64,000	$70,000	$26,720+59%	$64,000
$70,000	$76,000	$30,260+61%	$70,000
$76,000	$80,000	$33,920+62%	$76,000
$80,000	$88,000	$36,400+63%	$80,000
$88,000	$100,000	$41,440+64%	$88,000
$100,000	$120,000	$49,120+66%	$100,000
$120,000	$140,000	$62,320+67%	$120,000
$140,000	$160,000	$75,720+68%	$140,000
$160,000	$180,000	$89,320+69%	$160,000
$180,000	.....	$103,120+70%	$180,000

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E.I. 13-2687290

TEST YOURSELF QUESTIONS

1. Find the amount of Federal income tax for married taxpayers filing a joint return (Schedule Y) whose taxable income (adjusted gross income less deductions and exemptions) was:

		Answers
A.	$4,000	A. ($ 620)
B.	8,000	B. ($ 1,380)
C.	16,000	C. ($ 3,260)

2. Why are these taxes characterized as progressive?
(Answer: B's taxable income is 100 percent more than A's; but, B's taxes are more than 100 percent greater than A's, i.e.,

$\$1380 - 620 = \$760$ or $\frac{760}{620} = 1.23 = 123$ percent greater.

The amount of taxes paid by B increases at a greater rate than his taxable income. The progressive characteristic of Federal income tax rates also can be illustrated by comparing C with B and C with A.)

3. Find the amount of income tax for a single taxpayer whose taxable income was $16,000.
(Answer: $3,830)

4. The married taxpayers in question no. 1 above and the single taxpayer in question no. 3 had the same amount of taxable income. How much more did the single taxpayer pay than the married taxpayer?
(Answer: $3,830 − 3,260 = $570)

NEW YORK STATE TAX RATE SCHEDULE

Tax Rate Schedule*
If amount on line 9, page 1 is:

over	but not over	enter on line 10, page 1
$ 0	$1,000	2% of amount on line 9
1,000	3,000	$20 plus 3% of excess over $1,000
3,000	5,000	80 plus 4% " " " 3,000
5,000	7,000	160 plus 5% " " " 5,000
7,000	9,000	260 plus 6% " " " 7,000
9,000	11,000	380 plus 7% " " " 9,000
11,000	13,000	520 plus 8% " " " 11,000
13,000	15,000	680 plus 9% " " " 13,000
15,000	17,000	860 plus 10% " " " 15,000
17,000	19,000	1,060 plus 11% " " " 17,000
19,000	21,000	1,280 plus 12% " " " 19,000
21,000	23,000	1,520 plus 13% " " " 21,000
23,000	25,000	1,780 plus 14% " " " 23,000
25,000		2,060 plus 15% " " " 25,000

*Note: These figures do not include the surcharge currently in effect.

Note: No tax is payable if filing status checked is:

Single and line 5, page 1 is $2,500 or less.

Married (filing joint return), head of household or surviving spouse and line 5, page 1 is $5,000 or less.

Married (filing separate return) and the combined total of line 5, page 1 and spouse's separate total New York income is $5,000 or less. If you qualify enter spouse's total New York income here $ _____.

If no tax is payable as explained above, disregard the Tax Rate Schedule and enter "none" on line 10, page 1.

TEST YOURSELF PROBLEMS

1. Using the New York State Tax Schedule, find the income tax due for the following taxpayers:

New York Taxable Income		Amount of Income Tax	
A.	$ 5,000	A.	$ (160) + 2½ percent*
B.	6,000	B.	(210) + 2½ percent*
C.	16,500	C.	(1,010) + 2½ percent*
D.	28,951	D.	(2,652.65) + 2½ percent*

* New York State Surcharge

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
DO ALL TAXPAYERS WITH BIG INCOMES PAY HIGH PROGRESSIVE INCOME TAXES?		
. No.	. Reproduce the article from the Joint Economic Committee report. Distribute to students. Discuss: How can some taxpayers avoid high taxes by buying tax-free municipal bonds or by investing in oil or other mineral producing properties?	. Joint Economic Committee, Congress of the United States, "The Federal Tax System: Facts and Problems," 1964 U.S. Government Printing Office, Washington, D.C. 20402, $1
THE DEGREE OF PROGRESSION		

Some observers feel that the present tax law is excessively progressive in impact and have advanced proposals for easing the present burden on middle or upper income taxpayers. It is contended that such tax reduction is necessary to increase the overall rate of saving and capital formation out of any given level of total income. The potential improvement in real living standards of low-income indivduals resulting from more rapid economic growth, it is maintained, substantially exceeds that from any practicable redistribution of tax burdens.[87]

Others voice the opinion that the progression in the tax rate structure is more apparent than real. They point out that in 1959, among the 1,002 returns listing adjusted gross incomes of $500,000 or more, there were 20 returns on which there was no tax liability and 73 returns with effective tax rates of under 30 percent. Furthermore, adjusted gross income excludes one-half of capital gains. Measuring tax against adjusted gross income augmented by the excluded portion of capital gains, the median effective tax rate on these returns was only 28 percent.[88] Moreover, since these returns were selected on the basis of adjusted gross income, they do not include the returns of some persons with large incomes from tax-exempt interest or with income from mineral production that was offset by depletion deductions. On the basis of these considerations, it is argued, the degree of actual progression in the tax system should be strengthened, not reduced. (Joint Economic Committee, U.S. Congress, 1964)

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
WHAT PENALTIES MAY BE IMPOSED FOR FAILURE TO PAY INCOME TAXES?		
. Civil or criminal penalties may be imposed for (1) tendering bad checks to Internal Revenue Service, (2) failure to file a return, (3) filing fraudulent returns, etc.	. Discuss: What is the difference between a civil penalty and a criminal penalty? . Ask an ambitious student to consult the "Federal Tax Course and Guide" and prepare a resume of the sections dealing with penalties.	. "Federal Tax Course and Guide," Prentice-Hall, Section 37, p. 201, and Section 38, p. 406 . Bailey, F. Lee and Rothblatt, Henry B., "Defending Business and White Collar Crimes," The Lawyers Co-operative Publishing Company, Rochester, New York . Diogenes, "How Not To Cheat on Your Income Tax," Esquire, January 1973
WHAT RECORDS MUST A TAXPAYER KEEP?		
. This varies. Individuals whose income is derived solely from wages need not keep as complicated a set of records as business firms.	. Discuss: What would you consider an accurate record for (1) an individual whose sole income is derived from wages, (2) a doctor, (3) a business firm, etc. (Answer: Individuals should retain a record of their earnings, receipts for contributions, taxes paid, medical expenses, etc.; a doctor who is a general practitioner should maintain a record of patients charges, expenses, etc.; a business firm should keep a complete set of books and supporting documents.)	. "Appendix C - Personal Record Forms," The Money Tree, Signet Books, 1972 . "Federal Tax Course and Guide," Prentice-Hall, Section 35, 016 . Farmers and employees of all kinds must keep reasonably accurate records which will enable a correct determination of their taxable income.

SUMMARY

"Death and taxes are inevitable," yet little attention has been paid in the schools to an understanding of one of the universal obligations and privileges of citizens. All of us are familiar with taxes. We are reminded of their presence in a thousand ways — in the addition of a sales tax amount to the base price of almost every commodity and service we buy, in the newspaper reports of the deliberations of State and Federal representatives as they seek to find ways to finance governmental services, in the grumbling of property owners as they view the annual increases in property taxes, and in the struggles of schools to find ways to finance the ever-increasing costs of education.

Too many citizens view the tax situation with patient resignation; they expect that taxes will constantly rise, yet they make little attempt either to understand the services their tax money provides, or to influence the tax deliberations of their elected representatives.

Probably few indeed view the payment of taxes as a privilege. In the words of an unknown poet:

"I bought a share of civilization today,
I paid my taxes, I'm happy to say."

Yet, in essence, whether begrudgingly or happily, each of us daily does buy a share of civilization. Our taxes go to provide schools, colleges, homes for children and the aged, protection of the environment, health services, social services, and all the other amenities of life.

Typically, however, we become agitated and involved only when some aspect of taxation touches us directly. Let there be an increase in school or town taxes, a higher levy on gasoline or cigarettes, a bigger bite taken out of our paychecks for income tax purposes and we respond with pained outcry.

Similarly few of us are much involved in prison care until there is a riot, in transcontinental highways until we want to take a trip, or in better health care for the aged until one near and dear to us is involved. Fortunately, our elected representatives can act as our conscience to see that societal needs are reasonably well taken care of.

It is hoped that a study of this module will help students to better understand both the complexities of taxation and the reasons why budgeting must precede any taxation plan.

Perhaps a study of taxation is particularly timely since great events are currently transpiring which will have tax implications for future generations.

On the one hand is the struggle between the Congress and the President reflected in the Nixon budget for 1974. The issues are sharp. The President has proposed a $268 billion budget and promises to withhold funds for projects which would lead to an overexpenditure of this amount. Congress, with variant views of priorities, feels that the President has

overstepped his authority in withholding funds appropriated by Congress. Last year's budget called for outlays of $246 billion, but Congress voted on $260 billion worth of spending. Thus, the struggle between the Executive, to hold spending close to budgeted amounts, and Congress' insistence that the full amount of their appropriations be spent, highlights the problem of all consumers — how do we reconcile the fact that our desires exceed our resources. Or, why can't budget allocations be changed to provide more funds for certain items and less for others?

A second dramatic confrontation is building up regarding the financing of education. As indicated in this module, the ability of districts to finance education differs markedly. In some districts the wealth behind a student for tax purposes may be many times that of less fortunate districts. There is a growing clamor to finance education through the broader tax resources of each State, rather than relying on the property tax base of the individual district.

Thus the matter of taxation is not an abstract but a concrete, tangible problem for each citizen to understand and on which he should record his opinion. It is hoped that this module will open some windows on this problem.